

# Indiana State Teachers' Retirement Fund

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## 2005 Fiscal Operations Report



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### **Executive Director**

Cristy Wheeler

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Indiana State Teachers' Retirement Fund  
150 West Market Street, Suite 300  
Indianapolis, Indiana 46204-2809



## ***Indiana Teachers' Retirement Fund***

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November 1, 2005

The Honorable Mitch Daniels  
Governor of the State of Indiana  
The Indiana General Assembly  
State House  
Indianapolis, IN 46204

Dear Governor Daniels and Members of the General Assembly:

It is my pleasure to submit the 2005 Fiscal Operations Report on behalf of the Indiana State Teachers' Retirement Fund (ISTRF), in accordance with I.C.5-10.2-2-1. The report is comprised of statistical data, actuarial information, and financial statements in several key areas. In addition, the report provides investment performance illustrations, benchmark statistics, and charts for comparison by year and by peer.

Last year, a new corporate entity known as Indiana Pension Systems, Inc. (IPSI) was developed to combine the data management systems of ISTRF and the Public Employees' Retirement Fund (PERF). Since its inception, synergies between PERF and ISTRF have propelled IPSI to become instrumental in providing high quality systems upgrades, while setting a technology vision for the future.

Over the past year, during a period of transition, service delivery for our members remained constant and we continued to explore and implement new initiatives to improve and enhance business processes. An Executive Summary of a Defined Benefit Administration Benchmarking Analysis, submitted by Cost Effectiveness Measurement (CEM) Inc. a global information company providing benchmarking for retirement and health plans states, "you are in an enviable position of having the second lowest cost of your peers and above median total service."

Our accomplishments and goals are located at the end of the report. While some projects are listed as 'ongoing,' a number of goals were met with positive results. As stated in our mission, the Indiana State Teachers' Retirement Fund is committed to prudently managing the Fund in accordance with fiduciary standards. We will continue to provide quality benefits and deliver superior service to our customers, thereby demonstrating responsibility to our members and the citizens of the State of Indiana.

Respectfully submitted,

  
Cristy Wheeler  
Executive Director

# Mission Statement

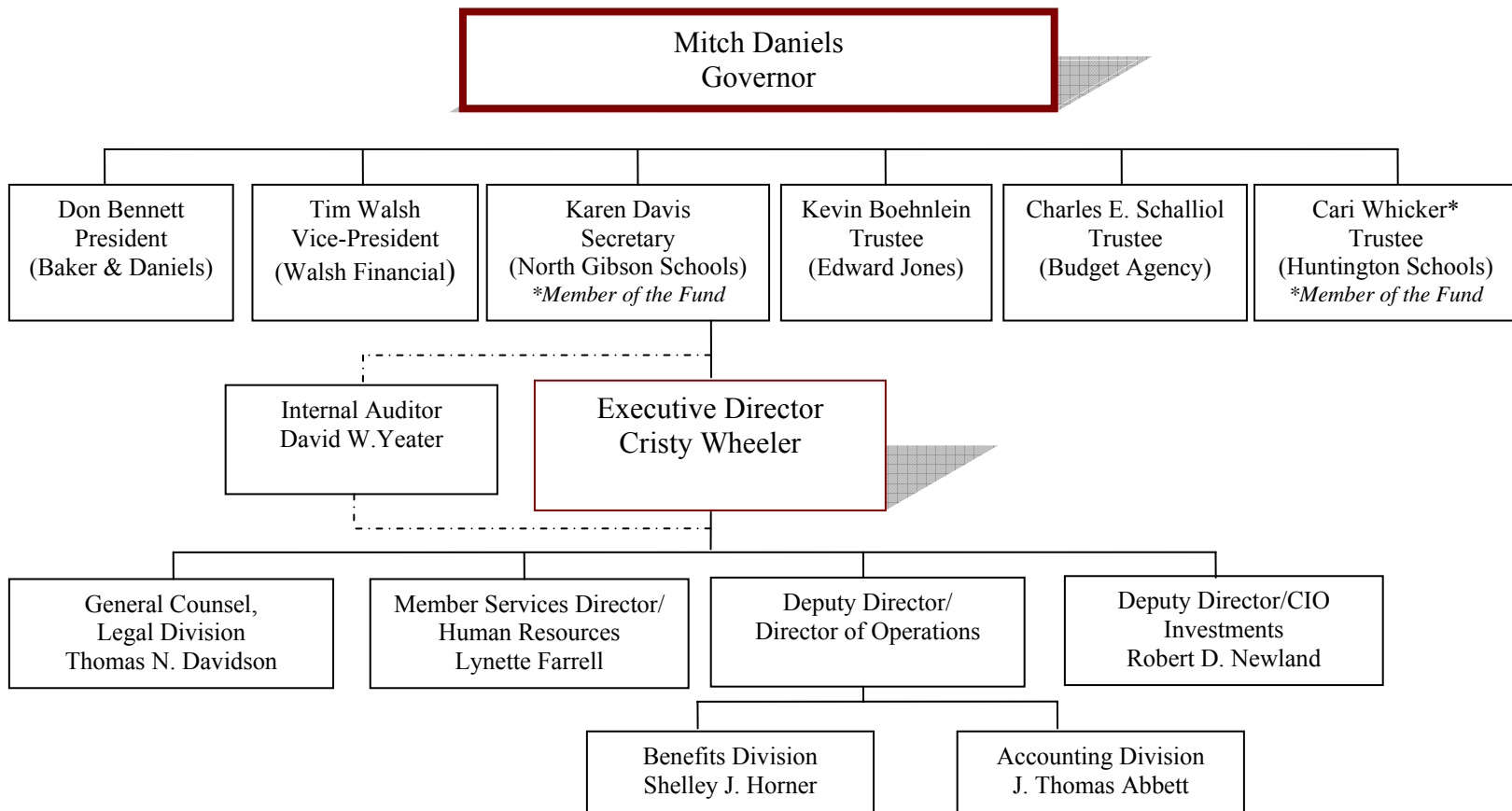
The mission of the Indiana State Teachers' Retirement Fund is to prudently manage the Fund in accordance with fiduciary standards and to provide quality benefits and deliver a high level of service, thereby demonstrating responsibility to our members and the citizens of the State of Indiana.

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## Core Values

The Indiana State Teachers' Retirement Fund, as an organization, holds the following core values in all working relationships:

- ◆ Professionalism, respect, and compassion in dealing with others;
- ◆ Diversity, both of ideas and people;
- ◆ Open communication, collaboration, and cooperation;
- ◆ Integrity and the avoidance of conflicts of interest;
- ◆ Courtesy and timeliness;
- ◆ Accountability;
- ◆ Innovation and flexibility; and
- ◆ Appreciation of and commitment to our mission



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# **FINANCIAL STATEMENTS**



**INDIANA STATE TEACHERS' RETIREMENT FUND**  
**STATEMENT OF PLAN ASSETS**  
**AS OF JUNE 30, 2005 AND 2004**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Assets</b>		
Cash and Short-Term Investments	\$ 981,878,069.93	\$ 511,385,212.13
Securities Lending Collateral	1,117,488,042.83	1,284,968,882.12
	<u>2,099,366,112.76</u>	<u>1,796,354,094.25</u>
<b>Receivables</b>		
Employer Contributions Receivable	27,165,048.70	23,598,250.73
Member Contributions Receivable	30,632,381.72	28,672,912.17
Investments Sold	614,485,957.17	701,985,536.56
Investment Income	30,666,022.49	28,828,150.73
Total Receivables	<u>702,949,410.08</u>	<u>783,084,850.19</u>
<b>Investments, at Fair Value</b>		
Bonds	3,153,494,314.37	2,913,110,361.03
Equity Investments	3,525,748,216.54	3,536,743,389.63
Joint Venture( Note 11)	500,000.00	500,000.00
Real Estate ( at cost)	260,000.00	260,000.00
Total Investments	<u>6,680,002,530.91</u>	<u>6,450,613,750.66</u>
Furniture and Equipment, at cost, net of accumulated depreciation of \$ 225,352.08 and \$ 408,308.93, respectively	<u>54,822.99</u>	<u>79,034.04</u>
Prepaid Expenses	<u>26.75</u>	<u>26.75</u>
Total Assets	9,482,372,903.49	9,030,131,755.89
<b>Liabilities</b>		
Accounts Payable	3,304,768.43	2,966,796.84
Accrued Liability for Compensated Absences -Current	\$142,561.07	
Accrued Liability for Compensated Absences -Long-Term	\$121,932.18	
Securities Lending Collateral	1,117,488,042.83	1,284,968,882.12
Payable for Investments Purchased	<u>1,181,104,220.45</u>	<u>990,420,824.23</u>
Total Liabilities	<u>2,302,161,524.96</u>	<u>2,278,356,503.19</u>
<b>Net Assets held in trust for pension benefits( A schedule of funding progress of the plan is presented on page 3.)</b>		
	<u>\$ 7,180,211,378.53</u>	<u>\$ 6,751,775,252.70</u>

UNAUDITED

**INDIANA STATE TEACHERS' RETIREMENT FUND  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2005 AND 2004**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Additions</b>		
Contributions:		
Employer	\$ 364,386,515.64	\$ 322,006,723.08
Employer - Pension Stabilization	30,000,000.00	22,500,000.00
Employer - 96 Fund	90,392,371.96	80,381,014.54
Fund Member	<u>117,897,342.73</u>	<u>114,364,284.73</u>
Total Contributions	<u>602,676,230.33</u>	<u>539,252,022.35</u>
Investment Income		
Net Appreciation(Depreciation)	371,383,975.73	547,774,850.02
Interest	134,000,795.15	135,319,501.30
Dividends	64,303,941.56	49,988,442.68
Securities Lending Income	<u>28,592,381.60</u>	<u>12,566,565.44</u>
	598,281,094.04	745,649,359.44
Less Investment Expense:		
Investment Expenses	(11,964,071.56)	(12,538,435.47)
Securities Lending Fees	<u>(25,427,299.73)</u>	<u>(10,016,828.09)</u>
Net Investment Income	<u>560,889,722.75</u>	<u>723,094,095.88</u>
Transfers from PERF	<u>4,299,607.44</u>	<u>0.00</u>
Adjustments to Accounts Payable	0.00	0.00
Gift from Members	0.00	0.00
Transfer of Outdated Checks	<u>(91,219.06)</u>	<u>(22,006.15)</u>
Total Additions	<u>1,167,774,341.46</u>	<u>1,262,324,112.08</u>
<b>Deductions</b>		
Benefits	722,787,799.19	647,173,472.21
Voluntary and Death Withdrawals	9,237,267.75	9,703,863.93
Administrative Expense	6,695,204.73	4,705,283.48
Capital Projects	593,732.91	2,597,505.90
Depreciation Expenses	24,211.05	25,621.98
Transfers to PERF	<u>0.00</u>	<u>0.00</u>
Total Deductions	<u>739,338,215.63</u>	<u>664,205,747.50</u>
<b>Net Increase</b>	428,436,125.83	598,118,364.58
<b>Net assets held in trust for pension benefits</b>		
Beginning of year	<u>6,751,775,252.70</u>	<u>6,153,656,888.12</u>
End of Year	<u>\$ 7,180,211,378.53</u>	<u>\$ 6,751,775,252.70</u>

UNAUDITED



**ADMINISTRATIVE EXPENSES**  
**FISCAL YEAR ENDING JUNE 30, 2005**

**PERSONAL SERVICES:**

TRUSTEES PER DIEMS	\$12,056.00
STAFF SALARIES	\$2,417,996.56
SOCIAL SECURITY	\$157,831.57
RETIREMENT	\$232,928.80
INSURANCE	\$361,592.69
PERSONNEL RECLASSIFICATION/ADDITIONAL STAFFING	\$0.00
TEMPORARY SERVICES	<u>\$27,783.75</u>
Total Personal Services	\$3,210,189.37

**PROFESSIONAL & TECHNICAL SERVICES:**

ACTUARIAL	\$187,250.00
DATA PROCESSING	\$1,936,423.79
HEALTH INSURANCE CONSULTANT	\$22,240.00
DATA PROCESSING CONSULTANT	\$0.00
AUDIT	\$35,394.00
STRATEGIC PLANNING CONSULTING	\$0.00
BENCHMARKING	\$30,000.00
Compensation Classification Consulting	\$0.00
LEGAL SERVICES	\$79,336.31
MEDICAL EXAMINATIONS	\$1,362.50
PENSION DEATH RECORD COMPARISON(PBI)	<u>\$29,329.00</u>
TOTAL PROFESSIONAL & TECHNICAL SERVICES	\$2,321,335.60

**COMMUNICATION:**

PRINTING	\$315,800.75
TELEPHONE	\$81,284.60
POSTAGE	\$361,157.20
TRAVEL	<u>\$20,165.18</u>
TOTAL COMMUNICATION	\$778,407.73

**MISCELLANEOUS:**

ADMINISTRATIVE LEGAL SERVICES	\$8,220.25
MEMBERSHIP & TRAINING	\$28,366.35
EQUIPMENT RENTAL	\$17,074.10
SUPPLIES	\$96,856.58
MAINTENANCE	\$5,981.04
BONDING	\$2,019.00
DEPRECIATION	\$24,211.05
OFFICE RENT	<u>\$226,754.71</u>
TOTAL MISCELLANEOUS	\$409,483.08

TOTAL ADMINISTRATIVE EXPENSES	\$6,719,415.78
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UNAUDITED

**SCHEDULE OF INVESTMENT EXPENSES - FISCAL YEAR ENDING JUNE 30, 2005****Custodial**

The Northern Trust Company	<u>\$100,000.00</u>
<i>Total Custodial</i>	<u>\$100,000.00</u>

Investment Consultant	\$331,750.00
Investment Benchmarking	\$18,500.00

**Management****Fixed Income Managers**

Alliance Capital Mgmt.	\$886,752.00
Reams Asset Mgmt.	\$1,260,732.00
Taplin, Canida, Habacht	\$264,581.86

**Equity Managers**

Barclays	\$318,635.66
Rhumblin	\$177,197.29
PIMCO	\$747,896.00
Bank of Ireland Asset Management	\$994,545.55
Alliance Capital Management	\$350,090.00
Earnest Partners, LLC	\$226,205.00
GE Asset Management	\$58,899.29
Institutional Capital Corp.	\$260,519.00
Pacific Financial Research, Inc.	\$316,474.00
Enhanced Investment Technologies, Inc.	\$494,280.57
Holt-Smith & Yates Advisors	\$296,019.00
Dresdner RCM Global Advisors	\$69,577.00
Franklin	\$427,516.22
Aeltus	\$1,267,098.65
TCW	\$106,745.67
Ariel Capital Management	\$1,043,289.26
Brandywine Asset Management, Inc.	\$892,092.94
Portfolio Advisors, Inc.	\$545,000.00

Total Money Management Fees	\$11,004,146.96
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**TRF Investment Staff**

Staff Salaries	\$239,825.91
Fringe Benefits	<u>\$71,897.59</u>

\$311,723.50

Investment Travel	\$14,891.57
Investment Management Software	\$38,300.00
Administrative Investment Fees	<u>\$144,759.53</u>
Total Investment Fees	\$11,964,071.56

## CAPITAL PROJECTS

	<u>FISCAL YEAR 2005</u>	<u>LIFE TO DATE</u>	<u>TOTAL PROJECT</u>
<b>NEW RETIREMENT INFORMATION SYSTEM</b>			
SYSTEM DESIGN AND DEVELOPMENT	\$ 564,819.19	\$ 11,823,107.85	\$ 12,387,927.04
PROJECT QUALITY ASSURANCE	\$ -	\$ 593,742.50	\$ 593,742.50
PROJECT MANAGER	\$ -	\$ 611,470.00	\$ 611,470.00
OUTSOURCING SERVICES	\$ -	\$ 1,110,262.85	\$ 1,110,262.85
<b>REPLACE OFFICE HARDWARE</b>	\$ 28,913.72	N/A	N/A
<b>TOTAL CAPITAL PROJECTS</b>	\$ 593,732.91	\$ 14,138,583.20	14,703,402.39

# SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/77	\$346	\$2,145	\$1,799	16.13%	\$892	201.68%
6/30/79	417	2,582	2,165	16.15%	1,025	211.22%
6/30/81	484	2,957	2,473	16.37%	1,195	206.95%
6/30/83	747	3,338	2,591	22.38%	1,350	191.93%
6/30/85	1,091	4,023	2,932	27.12%	1,520	192.89%
6/30/87	1,409	4,837	3,428	29.13%	1,752	195.66%
6/30/89	1,737	6,205	4,468	27.99%	2,045	218.48%
6/30/91	2,190	7,182	4,992	30.49%	2,279	219.04%
6/30/92	2,496	7,949	5,453	31.40%	2,416	225.70%
6/30/93	2,812	8,508	5,696	33.05%	2,536	224.61%
6/30/94	2,768	9,087	6,319	30.46%	2,615	241.64%
6/30/95	3,103	9,675	6,572	32.07%	2,729	240.82%
6/30/96	3,263	10,331	7,068	31.58%	2,879	245.50%
6/30/97	3,750	11,044	7,294	33.96%	2,985	244.39%
6/30/1998	4,266	11,779	7,513	36.22%	3,095	242.75%
6/30/1999	4,971	12,671	7,700	39.23%	3,294	233.76%
6/30/2000	5,578	13,115	7,537	42.53%	3,283	229.58%
6/30/2001	5,810	13,524	7,714	42.96%	3,318	232.49%
6/30/2002	6,176	14,665	8,489	42.11%	3,610	235.15%
6/30/2003	6,555	14,747	8,192	44.45%	3,585	228.51%
6/30/2004	6,804	15,198	8,394	44.77%	3,652	229.85%

# SCHEDULE OF EMPLOYER CONTRIBUTIONS

(DOLLARS IN THOUSANDS)

YEAR ENDING JUNE 30	ANNUAL REQUIRED CONTRIBUTIONS (a)	CONTRIBUTED BY EMPLOYERS (b)	CONTRIBUTED BY THE STATE (c)	PERCENTAGE CONTRIBUTED ((b + c) / a)	TOTAL EMPLOYER CONTRIBUTIONS
1983	\$181,640	2,503	93,207	52.69%	\$95,710.00
1985	181,575	5,910	174,399	99.30%	\$180,309.00
1987	214,776	6,810	129,907	63.66%	\$136,717.00
1989	236,695	7,804	154,627	68.62%	\$162,431.00
1991	319,429	8,539	232,861	75.57%	\$241,400.00
1992	357,575	9,377	197,250	57.79%	\$206,627.00
1993	394,291	9,180	194,900	51.76%	\$204,080.00
1994	413,622	11,013	219,782	55.80%	\$230,795.00
1995	433,044	10,977	228,200	55.23%	\$239,177.00
1996	456,835	15,907	297,451	68.59%	\$313,358.00
1997	488,278	28,761	508,867	110.11%	\$537,628.00
1998	508,939	41,098	424,252	91.44%	\$465,350.00
1999	508,260	56,650	555,700	120.48%	\$612,350.00
2000	524,815	70,641	576,800	123.37%	\$647,441.00
2001	547,532	83,285	605,900	125.87%	\$689,185.00
2002	537,789	100,826	465,400	105.29%	\$566,226.00
2003	572,226	111,931	490,300	105.24%	\$602,231.00
2004	638,541	96,858	328,029	66.54%	\$424,887.00
2005	619,186	107,947	376,832	78.29%	\$484,779.00

# PENSION STABILIZATION FUND

DATE	TRANSACTION DESCRIPTION	CONTRIBUTIONS	INTEREST EARNED	BALANCE
<b>1995</b>				
JULY 1	ESTABLISHMENT OF ACCOUNT			\$439,700,498.50
<b>1996</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$25,000,000.00		\$464,700,498.50
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$494,700,498.50
JUNE 30	CONTRIBUTIONS FROM STATE	\$92,851.68		\$494,793,350.18
JUNE 30	INTEREST CREDITED		\$39,573,044.87	\$534,366,395.05
<b>1997</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$24,999,998.97		\$559,366,394.02
JUNE 30	CONTRIBUTIONS FROM STATE	\$200,000,000.00		\$759,366,394.02
JUNE 30	CONTRIBUTIONS FROM STATE	\$93,567.95		\$759,459,961.97
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$789,459,961.97
JUNE 30	INTEREST CREDITED		\$45,421,143.58	\$834,881,105.55
<b>1998</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$75,000,000.00		\$909,881,105.55
JUNE 30	CONTRIBUTIONS FROM STATE	\$78,286.28		\$909,959,391.83
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$939,959,391.83
JUNE 30	INTEREST CREDITED		\$66,790,488.44	\$1,006,749,880.27
<b>1999</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$75,000,000.00		\$1,081,749,880.27
JUNE 30	CONTRIBUTIONS FROM STATE	\$75,639.23		\$1,081,825,519.50
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$1,111,825,519.50
JUNE 30	INTEREST CREDITED		\$80,539,990.42	\$1,192,365,509.92
JUNE 30	DISTRIBUTION FROM UNDISTRIBUTED INVESTMENT INCOME (P.L.)		\$148,512,367.47	\$1,340,877,877.39
<b>2000</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$125,000,000.00		\$1,465,877,877.39
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$37,500,000.00		\$1,503,377,877.39
JUNE 30	CONTRIBUTIONS FROM STATE	\$38,810.02		\$1,503,416,687.41
JUNE 30	FUNDS FROM PENSION PAYOUTS	\$15,506,789.63		\$1,518,923,477.04
JUNE 30	INTEREST/EARNINGS CREDITED		\$117,863,098.59	\$1,636,786,575.63
JUNE 30	DISTRIBUTION FROM UNDISTRIBUTED INVESTMENT INCOME		\$35,860,604.81	\$1,672,647,180.44
<b>2001</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$125,000,000.00		\$1,797,647,180.44
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$1,827,647,180.44
JUNE 30	CONTRIBUTIONS FROM STATE	\$45,735.83		\$1,827,692,916.27
JUNE 30	FUNDS FROM PENSION PAYOUTS	\$19,650,613.19		\$1,847,343,529.46
JUNE 30	INTEREST/EARNINGS CREDITED		(\$14,302,550.56)	\$1,833,040,978.90
<b>2002</b>				
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$1,863,040,978.90
JUNE 30	CONTRIBUTIONS FROM STATE	\$43,876.37		\$1,863,084,855.27
JUNE 30	FUNDS FROM PENSION PAYOUTS	\$13,798,154.19		\$1,876,883,009.46
JUNE 30	INTEREST/EARNINGS CREDITED		(\$90,065,130.79)	\$1,786,817,878.67
<b>2003</b>				
JUNE 30	CONTRIBUTIONS FROM LOTTERY	\$30,000,000.00		\$1,816,817,878.67
JUNE 30	CONTRIBUTIONS FROM STATE	\$34,359.51		\$1,816,852,238.18
JUNE 30	FUNDS FROM PENSION PAYOUTS	\$19,287,539.68		\$1,836,139,777.86
JUNE 30	INTEREST/EARNINGS CREDITED		\$23,654,725.65	\$1,859,794,503.51
<b>2004</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$16,802.38		\$1,859,811,305.89
JUNE 30	FUNDS FROM PENSION PAYOUTS	(\$182,218,797.05)		\$1,677,592,508.84
JUNE 30	INTEREST/EARNINGS CREDITED		\$275,473,173.63	\$1,953,065,682.47
<b>2005</b>				
JUNE 30	CONTRIBUTIONS FROM STATE	\$15,689.24		\$1,953,081,371.71
JUNE 30	FUNDS FROM PENSION PAYOUTS	(\$168,633,420.65)		\$1,784,447,951.06
JUNE 30	INTEREST/EARNINGS CREDITED		\$186,583,683.52	\$1,971,031,634.58

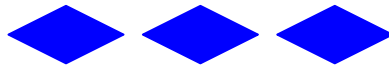
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## SCHEDULE OF ALLOTTMENTS RECEIVED AND ACTUAL PAYOUTS

STATE PENSION(100-745)				COLA'S (100-743)		
MONTH*	ACTUAL PAYOUT	ALLOTMENTS RECEIVED	OVERPAYMENT (SHORTAGE)	ACTUAL PAYOUT	ALLOTMENTS RECEIVED	OVERPAYMENT (SHORTAGE)
<b>2004-05</b>						
JULY	\$39,125,385	\$25,858,333	(\$13,267,051)	\$3,474,625	\$3,044,333	(\$430,292)
AUGUST	\$41,692,363	\$25,858,333	(\$15,834,030)	\$3,435,575	\$3,044,333	(\$391,242)
SEPT.	\$43,198,165	\$25,858,333	(\$17,339,832)	\$3,401,274	\$3,044,333	(\$356,940)
OCT.	\$41,179,023	\$25,858,333	(\$15,320,689)	\$3,383,247	\$3,044,333	(\$338,913)
NOV.	\$40,780,774	\$25,858,333	(\$14,922,441)	\$3,351,786	\$3,044,333	(\$307,452)
DEC.	\$39,018,685	\$25,858,333	(\$13,160,351)	\$3,323,982	\$3,044,333	(\$279,649)
JAN.	\$39,085,075	\$25,858,333	(\$13,226,742)	\$3,871,629	\$3,044,333	(\$827,296)
FEB.	\$39,025,767	\$25,858,333	(\$13,167,434)	\$3,840,223	\$3,044,333	(\$795,889)
MARCH	\$39,102,907	\$25,858,333	(\$13,244,574)	\$3,807,420	\$3,044,333	(\$763,087)
APRIL	\$38,456,683	\$25,858,333	(\$12,598,350)	\$3,768,719	\$3,044,333	(\$724,386)
MAY	\$38,726,420	\$25,858,333	(\$12,868,086)	\$3,740,375	\$3,044,333	(\$696,042)
JUNE	<u>\$39,542,175</u>	<u>\$25,858,333</u>	<u>(\$13,683,841)</u>	<u>\$3,708,275</u>	<u>\$3,044,333</u>	<u>(\$663,942)</u>
	<u>\$478,933,420.65</u>	<u>\$310,300,000.00</u>	<u>(\$168,633,420.65)</u>	<u>\$43,107,128.65</u>	<u>\$36,532,000.00</u>	<u>(\$6,575,128.65)</u>
						\$6,150,187.64

\* THE MONTH BENEFITS ARE PAYABLE , NOT THE MONTH  
THEY ARE PAID. THE MONTH OF JULY IS PAID ON AUGUST 1ST

**ACTUARIAL**



<b>Indiana State Teachers' Retirement Fund</b> <b>Actuarial Summary</b>			
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Pre-96 Plan Unfunded Actuarial Accrued Liability	\$7,782,857,609	\$7,626,313,285	\$156,544,324
96 Plan Unfunded Actuarial Accrued Liability	610,673,752	566,660,844	44,012,908
Total Unfunded Actuarial Accrued Liability	8,393,531,361	8,192,974,129	200,557,232

#### **ACTUARIAL ANALYSIS OF CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY FROM PREVIOUS YEAR'S VALUATION:**

##### **PRE-1996 FUND:**

During the year ending June 30, 2004, the Unfunded Actuarial Accrued Liability in the Pre-1996 Plan increased \$156.5 million. The increase resulted from multiple factors, including (but not limited to) the lack of pre-funding, the ad-hoc COLA effective January 1, 2005 pursuant to IC 5-10.2-5-37 and continued recognition of prior market losses in the Funding Value of Assets that were not offset by the current year's market gains. The dollar value of the total Actuarial Accrued Liabilities increased by \$193,658,880, while the corresponding Funding Value of Assets increased by only \$37,114,556.

##### **1996 FUND:**

During the year ending June 30, 2004, the Unfunded Actuarial Accrued Liability in the Pre-1996 Plan increased \$44.0 million. The increase resulted from multiple factors, including (but not limited to) the ad-hoc COLA effective January 1, 2005 pursuant to IC 5-10.2-5-37 and continued recognition of prior market losses in the Funding Value of Assets that were not offset by the current year's market gains. The dollar value of the total Actuarial Accrued Liabilities increased by \$256,928,052, while the corresponding Funding Value of Assets increased by only \$212,915,144.



# DEVELOPMENT OF ASSETS AND LIABILITIES

## JUNE 30, 2004

### (MARKET VALUE BASIS)

Reserve Allocation	Closed Plan	New Plan	Total
<b>Member Reserves:</b>			
Active and Inactive	\$2,849,090,857	\$445,895,816	\$3,294,986,673
Retired	625,682,433	15,315,107	640,997,540
Total Member Reserves	3,474,773,290	461,210,923	3,935,984,213
<b>Employer Reserves:</b>			
Active	0	476,567,270	476,567,270
Retired			
Pension Stabilization Fund	1,953,065,682	0	1,953,065,682
Other	295,374,165	93,300,223	388,674,388
Total	2,248,439,847	93,300,223	2,341,740,070
Total Employer Reserves	2,248,439,847	569,867,493	2,818,307,340
Total Reserves	<b>\$5,723,213,137</b>	<b>\$1,031,078,416</b>	<b>\$6,754,291,553</b>

### ACTUARIAL ACCRUED LIABILITY: COMPUTED AND UNFUNDED

	Closed Plan	New Plan	Total
<b>Retired Members and Beneficiaries:</b>			
Computed accrued liability	\$ 5,116,191,214	\$148,889,117	\$ 5,265,080,331
Allocated assets (market value)	2,874,122,280	108,615,330	2,982,737,610
Funding Value adjustment	21,320,128	805,704	22,125,832
Unfunded Accrued Liability	2,220,748,806	39,468,083	2,260,216,889
<b>Active and Inactive Members:</b>			
Computed accrued liability	8,432,334,106	1,500,511,551	9,932,845,657
Allocated assets (market value)	2,849,090,857	922,463,086	3,771,553,943
Funding Value adjustment	21,134,446	6,842,796	27,977,242
Unfunded Accrued Liability	5,562,108,803	571,205,669	6,133,314,472
<b>ISTRF Total:</b>			
Computed accrued liability	13,548,525,320	1,649,400,668	15,197,925,988
Allocated assets (market value)	5,723,213,137	1,031,078,416	6,754,291,553
Funding Value adjustment	42,454,574	7,648,500	50,103,074
<b>Unfunded Accrued Liability</b>	<b>\$ 7,782,857,609</b>	<b>\$610,673,752</b>	<b>\$ 8,393,531,361</b>

**CLOSED PLAN BALANCE SHEET**  
**SUMMARY STATEMENT OF FUND RESOURCES AND OBLIGATIONS**  
**JUNE 30, 2004**

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**PRESENT RESOURCES AND EXPECTED FUTURE RESOURCES**

	<b>Annuities</b>	<b>Pensions</b>	<b>Total</b>
A. Funding value of system assets			
1. Net assets from Fund financial statements	\$3,474,773,290	\$ 2,248,439,847	\$ 5,723,213,137
2. Funding value adjustment	25,775,734	16,678,840	42,454,574
3. Funding value of assets	3,500,549,024	2,265,118,687	5,765,667,711
B. Actuarial present value of expected future employer contributions			
1. For normal costs	0	1,190,102,500	1,190,102,500
2. For unfunded actuarial accrued liability	44,201,129	7,738,656,480	7,782,857,609
3. Total	44,201,129	8,928,758,980	8,972,960,109
C. Present value of expected future member contributions*	605,086,100	0	605,086,100
D. Total Present and Future Resources	\$4,149,836,253	\$11,193,877,667	\$15,343,713,920

**ACTUARIAL PRESENT VALUE OF EXPECTED FUTURE  
BENEFIT PAYMENTS AND RESERVES**

	<b>Annuities</b>	<b>Pensions</b>	<b>Total</b>
A. To retired members and beneficiaries			
1. Annual benefits	\$ 674,524,850	\$ 4,441,666,364	\$ 5,116,191,214
2. Reserve	0	0	0
3. Totals	674,524,850	4,441,666,364	5,116,191,214
B. To vested terminated members	207,567,920	145,757,988	353,325,908
C. To present active members			
1. Allocated to service rendered prior to valuation date	2,662,657,383	5,416,350,815	8,079,008,198
2. Allocated to service likely to be rendered after valuation date*	605,086,100	1,190,102,500	1,795,188,600
3. Total	3,267,743,483	6,606,453,315	9,874,196,798
D. Total Actuarial Present Value of Expected Future Benefit Payments and Reserves	\$4,149,836,253	\$11,193,877,667	\$15,343,713,920

\* Based on 3% mandatory member contributions.

**NEW PLAN BALANCE SHEET**  
**SUMMARY STATEMENT OF FUND RESOURCES AND OBLIGATIONS**  
**JUNE 30, 2004**

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**PRESENT RESOURCES AND EXPECTED FUTURE RESOURCES**

	<b>Annuities</b>	<b>Pensions</b>	<b>Total</b>
A. Funding value of system assets			
1. Net assets from Fund financial statements	\$461,210,923	\$ 569,867,493	\$ 1,031,078,416
2. Funding value adjustment	3,421,245	4,227,255	7,648,500
3. Funding value of assets	464,632,168	574,094,748	1,038,726,916
B. Actuarial present value of expected future employer contributions			
1. For normal costs	0	1,100,629,036	1,100,629,036
2. For unfunded actuarial accrued liability	1,081,931	609,591,821	610,673,752
3. Total	1,081,931	1,710,220,857	1,711,302,788
C. Present value of expected future member contributions*	545,975,024	0	545,975,024
D. Total Present and Future Resources	\$1,011,689,123	\$2,284,315,605	\$3,296,004,728

**ACTUARIAL PRESENT VALUE OF EXPECTED FUTURE  
BENEFIT PAYMENTS AND RESERVES**

	<b>Annuities</b>	<b>Pensions</b>	<b>Total</b>
A. To retired members and beneficiaries			
1. Annual benefits	\$ 16,510,645	\$ 132,378,472	\$ 148,889,117
2. Reserve	0	0	0
3. Totals	16,510,645	132,378,472	148,889,117
B. To vested terminated members	48,478,752	18,938,010	67,416,762
C. To present active members			
1. Allocated to service rendered prior to valuation date	400,724,702	1,032,370,087	1,433,094,789
2. Allocated to service likely to be rendered after valuation date*	545,975,024	1,100,629,036	1,646,604,060
3. Total	946,699,726	2,132,999,123	3,079,698,849
D. Total Actuarial Present Value of Expected Future Benefit Payments	\$1,011,689,123	\$2,284,315,605	\$3,296,004,728

\* Based on 3% mandatory member contributions.

# INVESTMENTS



ANNUITY SAVINGS ACCOUNT INVESTMENT OPTION RATES OF RETURN  
FOR THE FISCAL YEAR ENDING JUNE 30

	2005	2004	2003	2002	2001	2000	1999*
S&P500 Index Fund	6.35%	18.99%	0.31%	-17.96%	-14.71%	7.21%	36.37%
Small Cap Equity Fund	10.07%	29.28%	-1.33%	-4.46%	7.58%	38.65%	34.66%
International Fund	14.06%	29.58%	-7.15%	-11.98%	-24.13%	26.27%	29.74%
Bond Fund	7.16%	2.15%	13.85%	5.54%	11.08%	5.99%	1.04%
Guaranteed Fund	6.25%	6.75%	7.00%	7.50%	7.75%	7.75%	8.00%

\*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

RATES OF RETURN FOR EMPLOYER INVESTMENTS  
FOR THE FISCAL YEAR ENDING JUNE 30

	2005	2004	2003	2002	2001	2000	1999*
Large Cap Equities	7.07%	19.07%	0.76%	-17.35%	-13.91%	6.74%	30.03%
Mid Cap Equities	16.61%	27.65%	-5.10%	-8.60%	1.87%	29.31%	0.00%
Small Cap Equities	11.55%	30.32%	-0.76%	-4.26%	7.87%	39.56%	35.26%
International Equities	14.28%	26.80%	-8.23%	-11.72%	-24.38%	23.39%	29.15%
Fixed Income	6.84%	1.80%	12.17%	6.02%	11.23%	4.83%	3.07%
COMPOSIT RETURN	8.64%	11.82%	6.17%	-2.60%	2.08%	10.05%	12.35%

\*Results for S&P500 Index, Small Cap Equity and International are for 10/1/98 to 6/30/99.

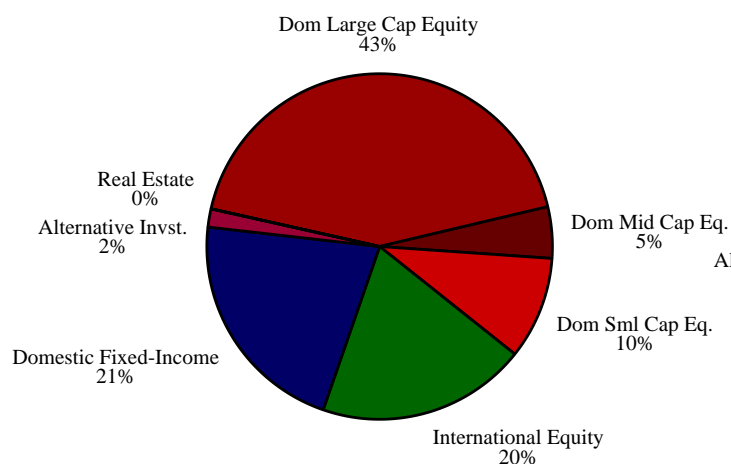
EMPLOYER ASSET ALLOCATION  
FOR THE FISCAL YEAR ENDING JUNE 30

	@6/30/05	@6/30/04	@6/30/03	@6/30/02	@6/30/01	@6/30/00	@6/30/99
Large Cap Equities	42.8%	49.2%	30.8%	26.6%	23%	28%	28%
Mid Cap Equities	4.8%	4.6%	4.0%	5.9%	5%	6%	0%
Small Cap Equities	9.6%	7.5%	8.1%	4.5%	6%	6%	5%
International Equities	19.6%	18.6%	13.9%	16.7%	8%	8%	5%
Alternative Investments	1.7%	0.9%	0.5%	0.1%	0%	0%	0%
Real Estate	0%	0%	0%	0%	0%	0%	0%
Absolute Return	0%	0%	n/a	n/a	n/a	n/a	n/a
Fixed Income	21.5%	19.3%	42.7%	46.3%	57%	52%	62%
TOTAL	100%	100%	100%	100%	100%	100%	100%

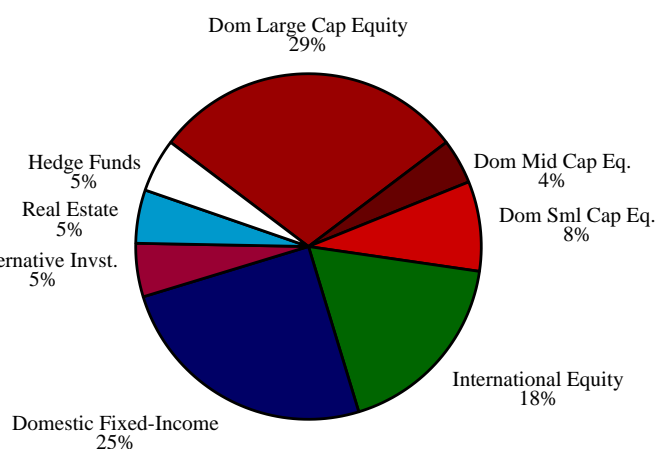
## Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of June 30, 2005. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the Fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

### Actual Asset Allocation

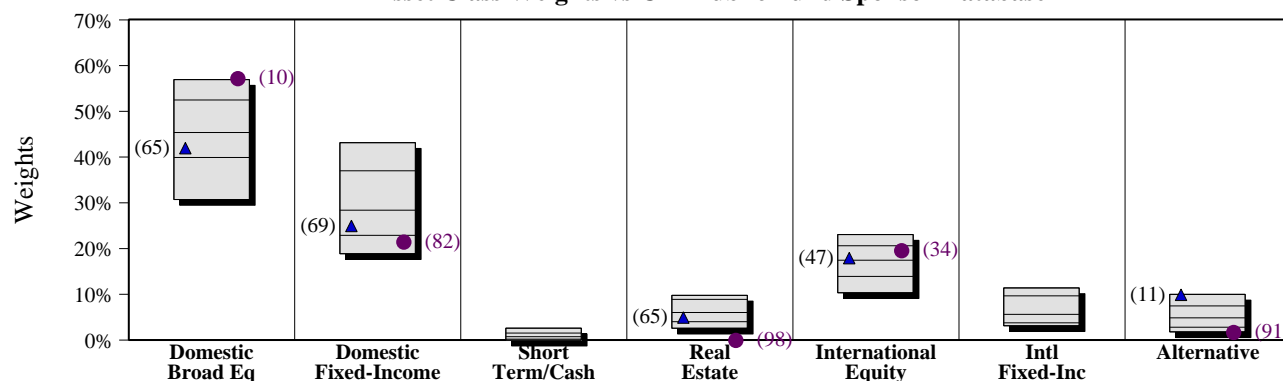


### Target Asset Allocation



Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Dom Large Cap Equity	1,730,234	42.8%	29.4%	13.4%	542,278
Dom Mid Cap Eq.	192,341	4.8%	4.2%	0.6%	22,633
Dom Sml Cap Eq.	387,215	9.6%	8.4%	1.2%	47,799
International Equity	792,813	19.6%	18.0%	1.6%	65,493
Domestic Fixed-Income	867,433	21.5%	25.0%	(3.5%)	(142,734)
Alternative Invst.	70,584	1.7%	5.0%	(3.3%)	(131,450)
Real Estate	48	0.0%	5.0%	(5.0%)	(201,986)
Hedge Funds	0	0.0%	5.0%	(5.0%)	(202,033)
Total	4,040,667	100.0%	100.0%		

### Asset Class Weights vs CAI Public Fund Sponsor Database



10th Percentile	56.96	43.20	2.68	9.85	23.15	11.49	10.09
25th Percentile	52.50	37.06	1.60	8.97	20.71	9.75	7.56
Median	45.40	28.45	0.81	6.10	17.54	5.71	4.95
75th Percentile	39.94	22.95	0.28	4.09	14.01	3.86	2.90
90th Percentile	30.76	18.93	0.05	2.66	10.43	3.22	1.89

**Fund** ● 57.16 21.47 - 0.00 19.62 - 1.75

**Target** ▲ 42.00 25.00 - 5.00 18.00 - 10.00

% Group Invested 97.62% 100.00% 62.65% 49.40% 86.75% 24.10% 40.96%

\* Current Quarter Target = 29.4% S&P 500, 25.0% L/B Agg, 18.0% MSCI EAFE Index, 8.4% Russell 2000, 5.0% Dow Jones Wilshire RESI, 5.0% Post Venture Cap Idx, 5.0% 90 Day T-Bill + 5 % and 4.2% S&P Mid Cap 400.

### Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2005, with the distribution as of March 31, 2005.

#### Asset Distribution Across Investment Managers

	June 30, 2005		March 31, 2005	
	Market Value	Percent	Market Value	Percent
<b>Employer Assets</b>	<b>\$4,040,667,466</b>	<b>56.68%</b>	<b>\$3,977,800,188</b>	<b>56.81%</b>
Domestic Large Cap Equity	1,730,234,219	24.27%	1,795,705,401	25.65%
Domestic Mid Cap Equity	192,340,730	2.70%	184,752,467	2.64%
Domestic Small Cap Equity	387,215,033	5.43%	367,307,017	5.25%
International Equity	792,812,948	11.12%	794,372,993	11.35%
Domestic Fixed-Income	867,433,271	12.17%	774,716,034	11.06%
Alternative Investment	70,583,755	0.99%	60,899,115	0.87%
Real Estate	47,510	0.00%	47,161	0.00%
<b>Employee Assets</b>	<b>\$3,087,862,404</b>	<b>43.32%</b>	<b>\$3,023,749,373</b>	<b>43.19%</b>
Domestic Large Cap Equity	609,531,434	8.55%	603,180,804	8.61%
Domestic Small Cap Equity	346,257,959	4.86%	341,457,052	4.88%
International Equity	105,261,319	1.48%	104,878,423	1.50%
Domestic Fixed-Income	2,026,811,692	28.43%	1,974,233,094	28.20%
<b>Total Fund</b>	<b>\$7,128,529,870</b>	<b>100.0%</b>	<b>\$7,001,549,561</b>	<b>100.0%</b>

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2005, with the distribution as of June 30, 2004.

### Asset Distribution Across Investment Managers

	June 30, 2005		June 30, 2004	
	Market Value	Percent	Market Value	Percent
<b>Domestic Equity</b>	<b>\$3,265,579,375</b>	<b>45.81%</b>	<b>\$2,756,269,585</b>	<b>41.15%</b>
<b>Large Cap Equity</b>	<b>\$2,339,765,653</b>	<b>32.82%</b>	<b>\$1,951,554,558</b>	<b>29.13%</b>
<b>Passive</b>				
BGI (Equity Index)	626,215,520	8.78%	774,645,591	11.56%
Rhumblin	360,205,730	5.05%	563,413,411	8.41%
BGI (Russell 3000)	477,716,235	6.70%	479,370,988	7.16%
<b>Enhanced</b>				
PIMCO	520,800,983	7.31%	353,449,687	5.28%
<b>Growth</b>				
Dresdner*	-	-	38,127,796	0.57%
INTECH	116,956,105	1.64%	52,278,550	0.78%
H-S&Y	57,308,661	0.80%	40,140,500	0.60%
<b>Value</b>				
Earnest	64,619,363	0.91%	25,982,559	0.39%
GEAM*	-	-	35,770,403	0.53%
ICAP	55,910,081	0.78%	30,876,840	0.46%
PFR	60,032,975	0.84%	36,869,221	0.55%
<b>Mid Cap Equity</b>	<b>\$192,340,730</b>	<b>2.70%</b>	<b>\$172,901,196</b>	<b>2.58%</b>
<b>Core</b>				
Franklin Associates	192,340,730	2.70%	172,901,193	2.58%
<b>Small Cap Equity</b>	<b>\$733,472,992</b>	<b>10.29%</b>	<b>\$631,813,831</b>	<b>9.43%</b>
<b>Growth</b>				
Aeltus Capital Management	180,228,746	2.53%	173,958,886	2.60%
Rhumblin Advisors	143,385,503	2.01%	85,999,764	1.28%
<b>Value</b>				
Ariel Capital Management	221,656,927	3.11%	213,306,190	3.18%
Brandywine Capital Mgmt	188,201,816	2.64%	158,548,991	2.37%
<b>International Equity</b>	<b>\$898,074,267</b>	<b>12.60%</b>	<b>\$786,996,237</b>	<b>11.75%</b>
Alliance Capital Mgmt	5,133,160	0.07%	563,599,549	8.41%
Bank of Ireland	1,149,065	0.02%	223,396,688	3.34%
Alliance Bernstein	160,689,844	2.25%	-	-
Fisher	133,254,353	1.87%	-	-
Gryphon	159,745,137	2.24%	-	-
Manning & Napier	26,426,422	0.37%	-	-
State Street	411,676,286	5.78%	-	-
<b>Domestic Fixed-Income</b>	<b>\$2,894,244,963</b>	<b>40.60%</b>	<b>\$2,642,819,061</b>	<b>39.45%</b>
Alliance Capital Mgmt	1,294,174,064	18.15%	1,214,408,080	18.13%
Reams Asset Management	1,289,879,219	18.09%	1,203,763,663	17.97%
Taplin, Canida & Habacht	281,325,145	3.95%	219,047,067	3.27%
Cash Flow Account	28,866,535	0.40%	5,600,251	0.08%
<b>Real Estate</b>	<b>\$47,510</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>
Real Estate	47,510	0.00%	-	-
<b>Alternative Investment</b>	<b>\$70,583,755</b>	<b>0.99%</b>	<b>\$32,964,904</b>	<b>0.49%</b>
Portfolio Advisors	70,583,755	0.99%	32,964,904	0.49%
<b>Total Fund</b>	<b>\$7,128,529,870</b>	<b>100.0%</b>	<b>\$6,698,420,775</b>	<b>100.0%</b>

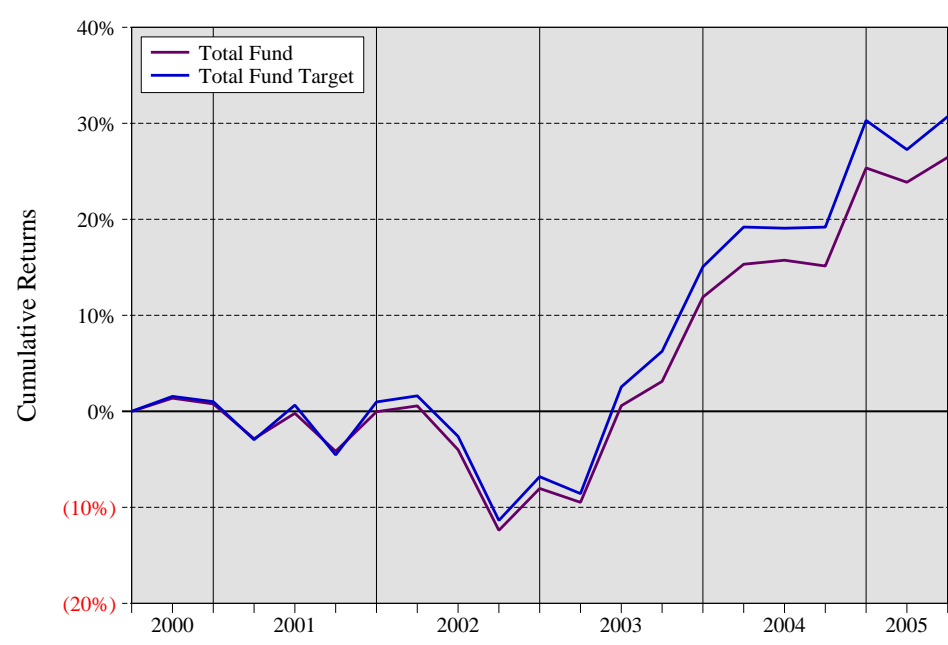
\* Indicates managers who were terminated during fourth quarter 2004.



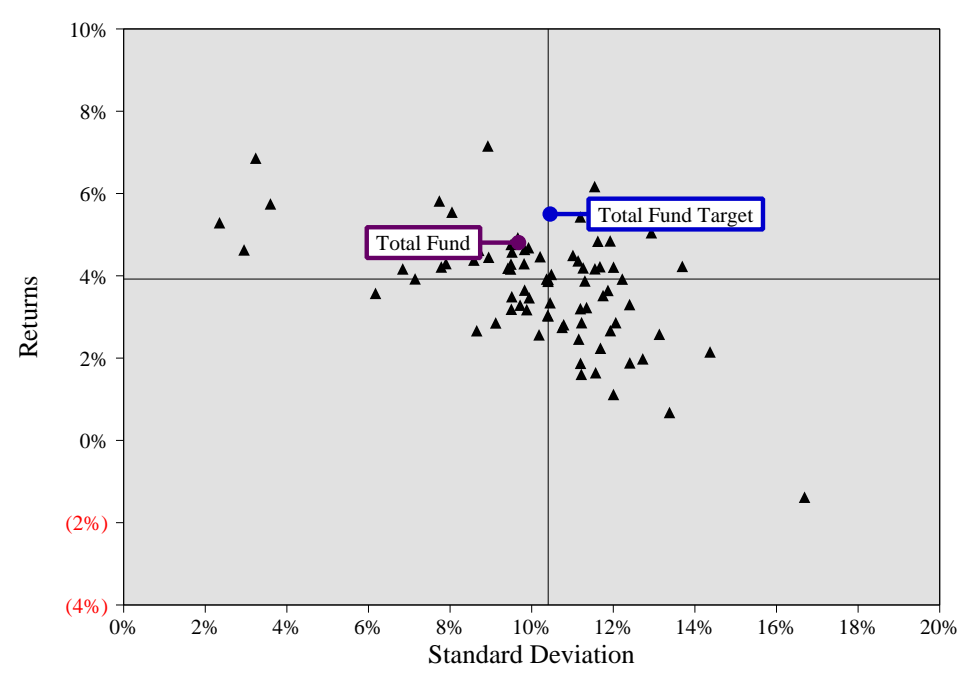
## Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The second chart below shows the return and the risk of the Total Fund and the Target Mix contrasted with the returns and risks of the plans in the Public Plan Sponsor Database.

### Cumulative Returns Actual vs Target



### Five Year Annualized Risk vs Return



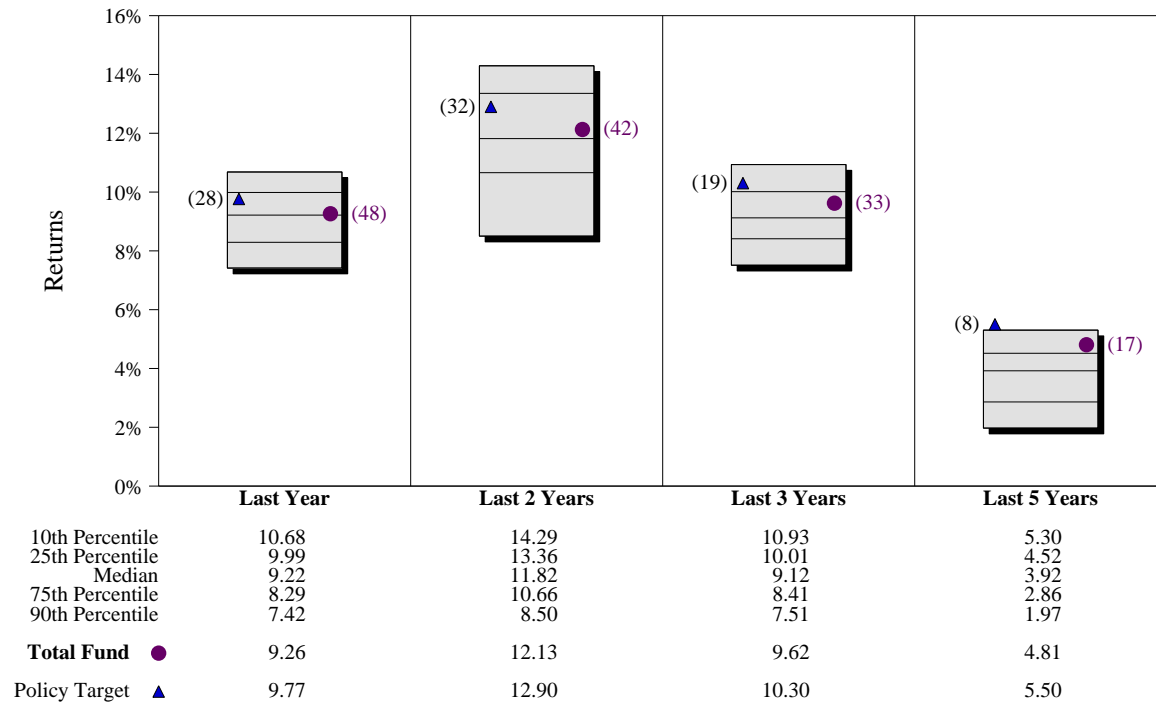
Triangles represent membership of the CAI Public Fund Sponsor Database

\* Current Quarter Target = 29.4% S&P 500, 25.0% L/B Agg, 18.0% MSCI EAFE Index, 8.4% Russell 2000, 5.0% Dow Jones Wilshire RESI, 5.0% Post Venture Cap Idx, 5.0% 90 Day T-Bill + 5 % and 4.2% S&P Mid Cap 400.

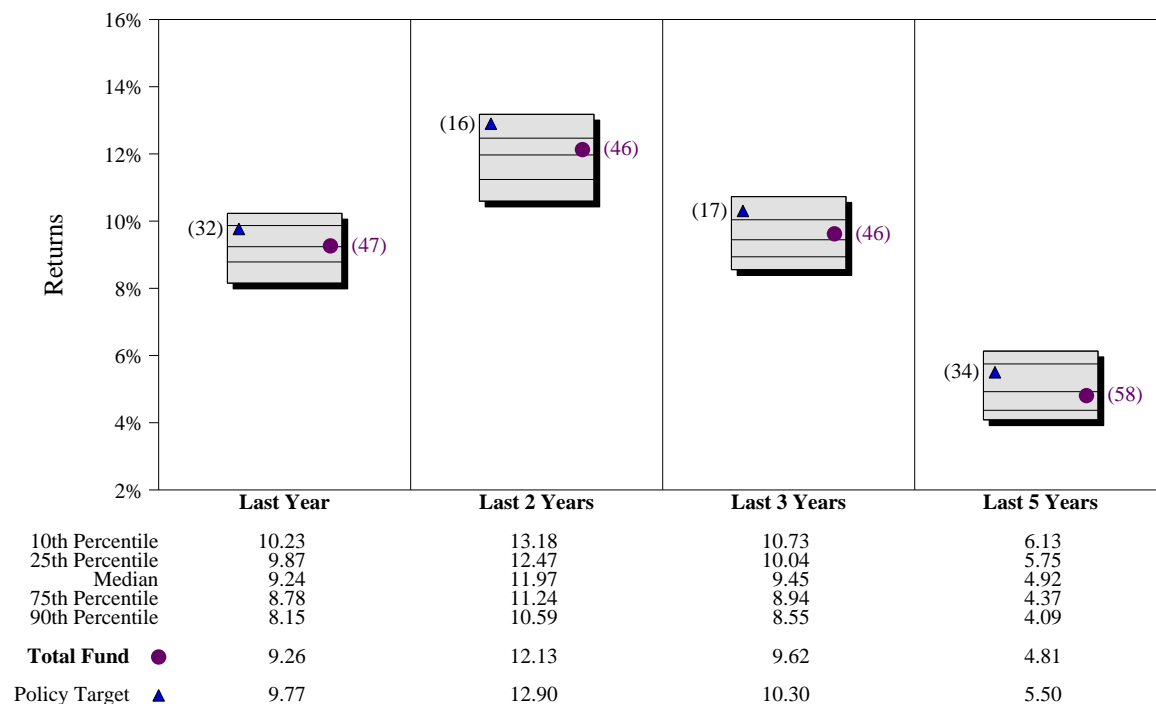
## Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ending June 30, 2005. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund.

### CAI Public Fund Sponsor Database



### Asset Allocation Adjusted Ranking



\* Current Quarter Target = 29.4% S&P 500, 25.0% L/B Agg, 18.0% MSCI EAFE Index, 8.4% Russell 2000, 5.0% Dow Jones Wilshire RESI, 5.0% Post Venture Cap Idx, 5.0% 90 Day T-Bill + 5 % and 4.2% S&P Mid Cap 400.

# TOTAL DOMESTIC EQUITY PERIOD ENDING JUNE 30, 2005



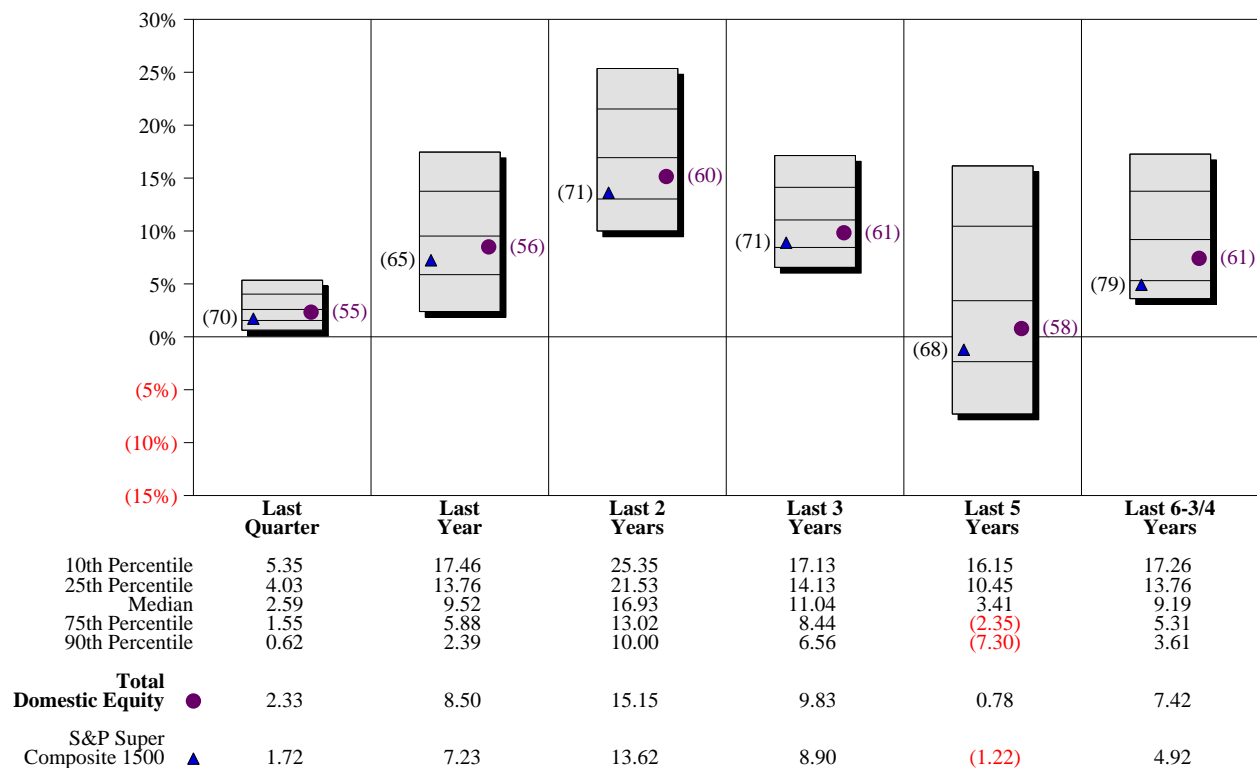
## Investment Philosophy

The Total Equity Database is a broad collection of actively managed separate account domestic equity products. Equity funds concentrate their investments in common stocks and convertible securities. Funds included maintain well-diversified portfolios.

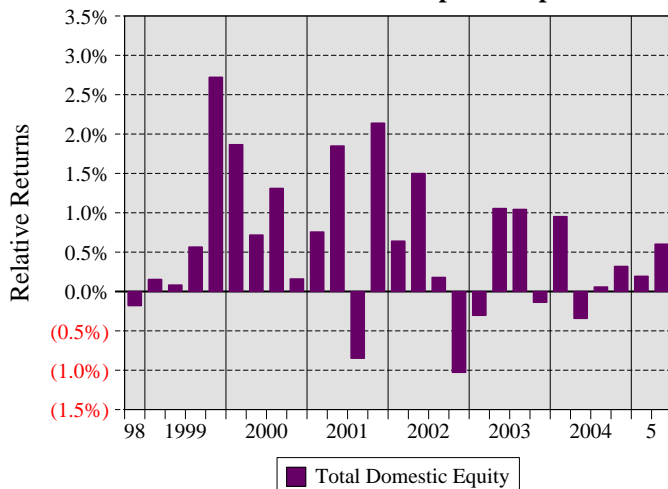
## Quarterly Summary and Highlights

- Total Domestic Equity's portfolio posted a 2.33% return for the quarter placing it in the 55th percentile of the CAI Total Domestic Equity Database group for the quarter and in the 56th percentile for the last year.
- Total Domestic Equity's portfolio outperformed the S&P Super Composite 1500 by 0.61% for the quarter and outperformed the S&P Super Composite 1500 for the year by 1.27%.

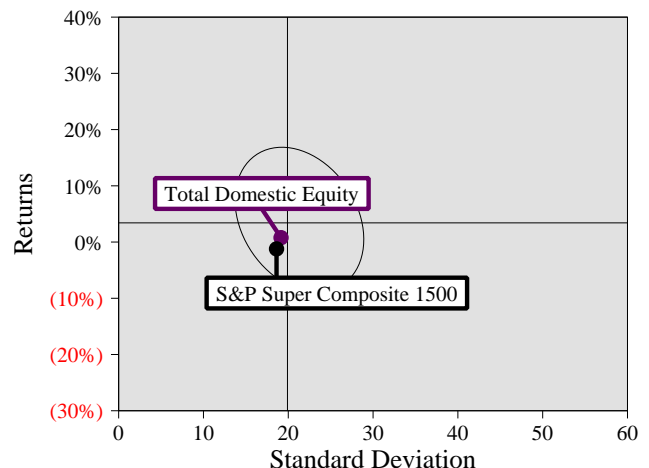
## Performance vs CAI Total Domestic Equity Database



## Relative Return vs S&P Super Composite 1500



## CAI Total Domestic Equity Database Annualized Five Year Risk vs Return



# TOTAL FIXED-INCOME PERIOD ENDING JUNE 30, 2005



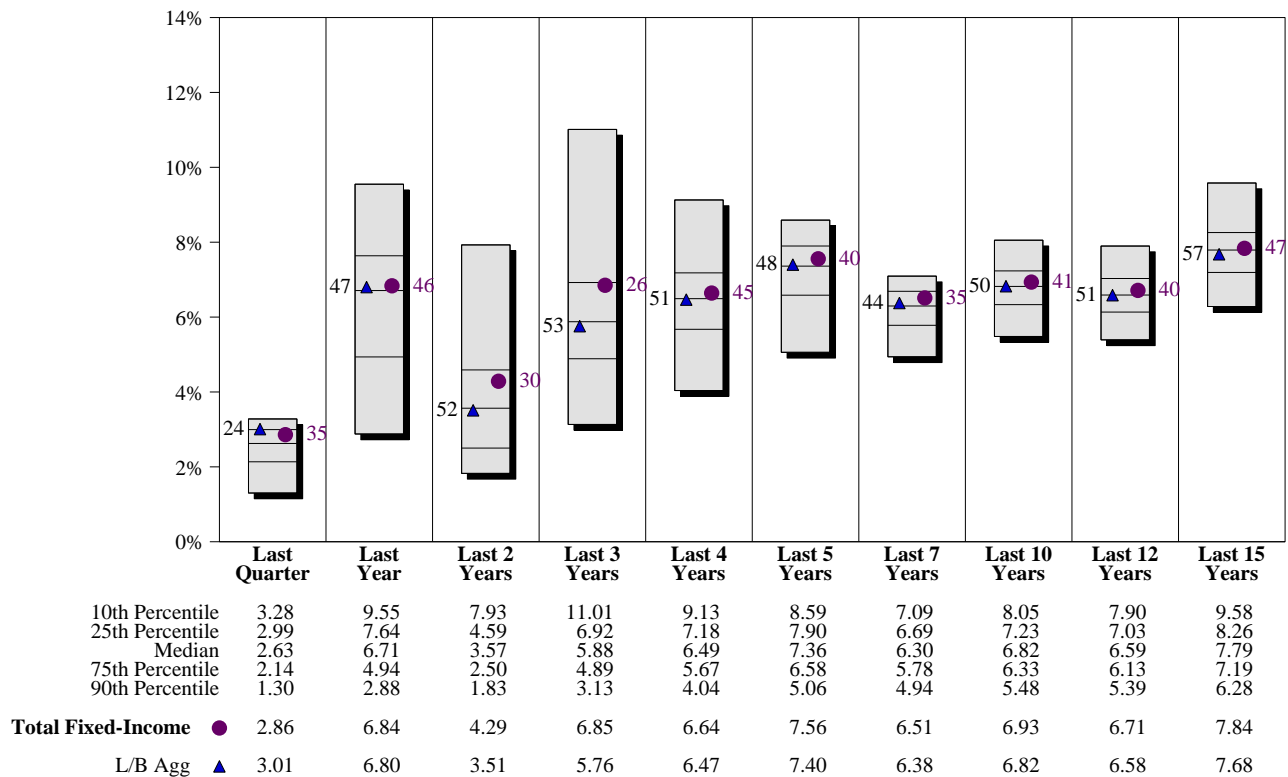
## Investment Philosophy

The Total Fixed-Income Database is a broad collection of separate account domestic fixed-income products. Fixed-Income funds concentrate their investments in bonds, preferred stocks, and money market securities.

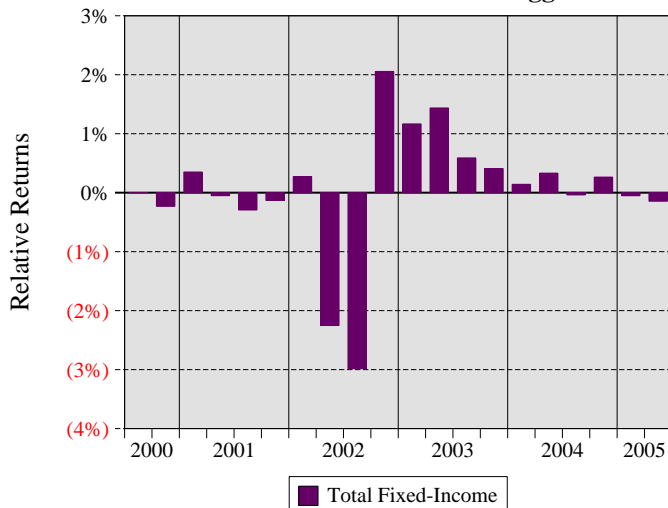
## Quarterly Summary and Highlights

- Total Fixed-Income's portfolio posted a 2.86% return for the quarter placing it in the 35th percentile of the CAI Total Domestic Fixed-Inc Database group for the quarter and in the 46th percentile for the last year.
- Total Fixed-Income's portfolio underperformed the L/B Agg by 0.15% for the quarter and outperformed the L/B Agg for the year by 0.03%.

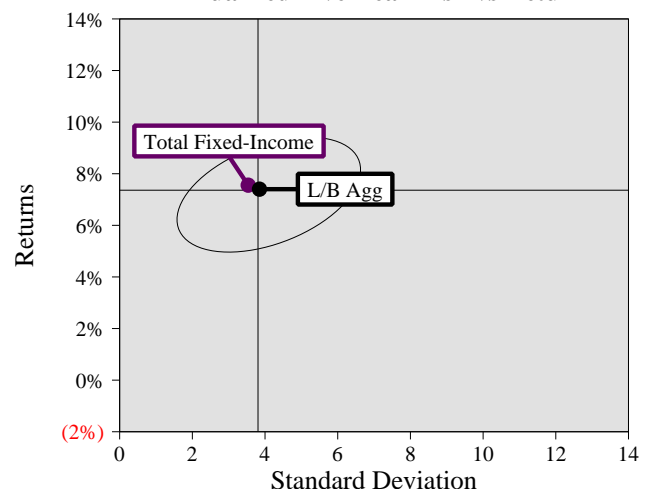
## Performance vs CAI Total Domestic Fixed-Inc Database



## Relative Return vs L/B Agg



## CAI Total Domestic Fixed-Inc Database Annualized Five Year Risk vs Return



## Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ending June 30, 2005. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the Fund's accounts for that asset class.

### Returns for Periods Ending June 30, 2005

	Market Value \$(Dollars)	Ending Weight	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 6-3/4 Years
<b>Domestic Equity</b>	<b>\$3,265,579,375</b>	<b>45.81%</b>	<b>2.33%</b>	<b>8.50%</b>	<b>9.83%</b>	<b>0.78%</b>	<b>7.42%</b>
<b>Large Cap Equity</b>	<b>\$2,339,765,653</b>	<b>32.82%</b>	<b>1.80%</b>	<b>7.07%</b>	<b>8.70%</b>	<b>(2.01%)</b>	<b>4.29%</b>
<b>Passive</b>	<b>\$1,464,137,485</b>	<b>20.54%</b>	<b>1.80%</b>	<b>7.00%</b>	<b>8.53%</b>	<b>-</b>	<b>-</b>
BGI (Equity Index)	626,215,520	8.78%	1.35%	6.40%	8.31%	(2.35%)	3.94%
Rhumblin Advisors	360,205,730	5.05%	1.36%	6.35%	8.33%	(2.13%)	-
BGI (Russell 3000)	477,716,235	6.70%	2.57%	8.29%	-	-	-
Standard & Poor's 500	-	-	1.37%	6.32%	8.28%	(2.37%)	3.92%
Russell 3000 Index	-	-	2.24%	8.05%	9.46%	(1.35%)	4.94%
<b>Enhanced</b>	<b>\$520,800,983</b>	<b>7.31%</b>	<b>1.45%</b>	<b>6.75%</b>	<b>9.21%</b>	<b>-</b>	<b>-</b>
PIMCO	520,800,983	7.31%	1.45%	6.75%	9.21%	(1.16%)	3.76%
Standard & Poor's 500	-	-	1.37%	6.32%	8.28%	(2.37%)	3.92%
<b>Growth</b>	<b>\$174,264,766</b>	<b>2.44%</b>	<b>1.73%</b>	<b>3.28%</b>	<b>7.93%</b>	<b>-</b>	<b>-</b>
INTECH	116,956,105	1.64%	0.45%	5.00%	12.21%	-	-
H-S&Y	57,308,661	0.80%	4.45%	4.85%	5.98%	-	-
S&P 500 Growth	-	-	0.14%	1.54%	6.43%	(7.87%)	1.25%
<b>Value</b>	<b>\$180,562,419</b>	<b>2.53%</b>	<b>2.94%</b>	<b>12.26%</b>	<b>9.56%</b>	<b>-</b>	<b>-</b>
Earnest	64,619,363	0.91%	4.69%	18.04%	14.27%	-	-
ICAP	55,910,081	0.78%	2.12%	11.54%	8.27%	-	-
PFR	60,032,975	0.84%	1.88%	6.14%	7.26%	-	-
S&P 500 Value	-	-	2.58%	11.18%	10.09%	3.36%	6.17%
<b>Mid Cap Equity</b>	<b>\$192,340,730</b>	<b>2.70%</b>	<b>4.17%</b>	<b>16.61%</b>	<b>12.20%</b>	<b>5.98%</b>	<b>-</b>
Franklin Portfolio Assoc.	192,340,730	2.70%	4.17%	16.61%	15.06%	10.55%	-
S&P 400 Mid Cap	-	-	4.26%	14.03%	13.16%	8.49%	13.91%
<b>Small Cap Equity</b>	<b>\$733,472,992</b>	<b>10.29%</b>	<b>3.61%</b>	<b>11.55%</b>	<b>12.99%</b>	<b>7.33%</b>	<b>15.68%</b>
<b>Growth</b>	<b>\$323,614,249</b>	<b>4.54%</b>	<b>4.04%</b>	<b>6.56%</b>	<b>10.39%</b>	<b>(8.30%)</b>	<b>-</b>
Aeltus Capital Management	180,228,746	2.53%	4.30%	4.40%	9.17%	(1.86%)	7.01%
Rhumblin Advisors	143,385,503	2.01%	3.71%	-	-	-	-
Russell 2000 Growth	-	-	3.48%	4.29%	11.37%	(4.51%)	5.36%
<b>Value</b>	<b>\$409,858,743</b>	<b>5.75%</b>	<b>3.27%</b>	<b>15.16%</b>	<b>14.69%</b>	<b>19.17%</b>	<b>-</b>
Ariel Capital Management	221,656,927	3.11%	1.09%	11.95%	14.33%	16.47%	14.69%
Brandywine Asset Management	188,201,816	2.64%	5.97%	19.31%	15.61%	22.27%	15.55%
Russell 2000 Value	-	-	5.08%	14.39%	14.15%	16.12%	13.85%
<b>International Equity</b>	<b>\$898,074,267</b>	<b>12.60%</b>	<b>(0.13%)</b>	<b>14.28%</b>	<b>9.97%</b>	<b>(2.36%)</b>	<b>5.62%</b>
Alliance Capital Management	5,133,160	0.07%	-	-	-	-	-
Bank of Ireland	1,149,065	0.02%	-	-	-	-	-
Alliance Bernstein	160,689,844	2.25%	-	-	-	-	-
Fisher	133,254,353	1.87%	-	-	-	-	-
Gryphon	159,745,137	2.24%	-	-	-	-	-
Manning & Napier	26,426,422	0.37%	-	-	-	-	-
State Street	411,676,286	5.78%	-	-	-	-	-
MSCI EAFE Index	-	-	(1.01%)	13.65%	12.06%	(0.55%)	5.44%
<b>Alternative Investment</b>	<b>\$70,583,755</b>	<b>0.99%</b>	<b>8.74%</b>	<b>22.37%</b>	<b>12.81%</b>	<b>-</b>	<b>-</b>
Portfolio Advisors	70,583,755	0.99%	8.74%	22.37%	12.81%	-	-
Post Venture Cap Index	-	-	7.71%	1.25%	17.10%	(14.27%)	2.19%
<b>Composite Fund</b>	<b>\$7,128,529,870</b>	<b>100.00%</b>	<b>2.29%</b>	<b>8.64%</b>	<b>8.85%</b>	<b>4.84%</b>	<b>6.40%</b>

### Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ending June 30, 2005. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the Fund's accounts for that asset class.

#### Returns for Periods Ending June 30, 2005

	<b>Market Value \$(Dollars)</b>	<b>Ending Weight</b>	<b>Last Quarter</b>	<b>Last Year</b>	<b>Last 2 Years</b>	<b>Last 3 Years</b>	<b>Last 4 Years</b>
<b>Domestic Fixed-Income</b>	<b>\$2,894,244,963</b>	<b>40.60%</b>	<b>2.86%</b>	<b>6.84%</b>	<b>4.29%</b>	<b>6.85%</b>	<b>6.64%</b>
Alliance Capital Mgmt.	1,294,174,064	18.15%	2.79%	6.65%	3.90%	7.04%	6.99%
Reams Asset Management	1,289,879,219	18.09%	3.19%	7.27%	4.72%	6.84%	6.09%
Taplin, Canida & Habacht	281,325,145	3.95%	1.46%	5.36%	4.40%	7.66%	7.71%
Lehman Brothers Agg.	-	-	3.01%	6.80%	3.51%	5.76%	6.47%
<b>Real Estate</b>	<b>\$47,510</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
TA Associates	47,510	0.00%	-	-	-	-	-
Cash Flow Account	28,866,535	0.40%	3.39%	10.34%	8.03%	6.23%	5.20%
Treasury Bills	-	-	0.72%	2.15%	1.56%	1.55%	1.82%
<b>Composite Fund</b>	<b>\$7,128,529,870</b>	<b>100.00%</b>	<b>2.29%</b>	<b>8.64%</b>	<b>10.22%</b>	<b>8.85%</b>	<b>5.87%</b>
Standard & Poor's 500	-	-	1.37%	6.32%	12.54%	8.28%	1.02%
Domestic Equity Database	-	-	2.82%	9.66%	17.18%	11.28%	4.72%
Domestic Fixed Database	-	-	2.56%	6.57%	4.21%	6.43%	6.57%

### Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ending June 30, 2005. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the Fund's accounts for that asset class.

#### Returns for Periods Ending June 30, 2005

	<b>Market Value \$(Dollars)</b>	<b>Ending Weight</b>	<b>Last 5 Years</b>	<b>Last 7 Years</b>	<b>Last 10 Years</b>	<b>Last 12 Years</b>	<b>Last 15 Years</b>
<b>Domestic Fixed-Income</b>	<b>\$2,894,244,963</b>	<b>40.60%</b>	<b>7.56%</b>	<b>6.51%</b>	<b>6.93%</b>	<b>6.71%</b>	<b>7.84%</b>
Alliance Capital Mgmt	1,294,174,064	18.15%	7.93%	6.62%	7.34%	7.31%	8.86%
Reams Asset Mgmt	1,289,879,219	18.09%	7.29%	6.80%	7.33%	7.10%	-
Taplin, Canida & Habacht	281,325,145	3.95%	8.11%	6.64%	7.05%	6.75%	-
Lehman Brothers Aggregate	-	-	7.40%	6.38%	6.82%	6.58%	7.68%
Cash Flow Account	28,866,535	0.40%	5.30%	5.12%	5.32%	5.21%	5.47%
Treasury Bills	-	-	2.62%	3.36%	3.94%	4.02%	4.20%
<b>Composite Fund</b>	<b>\$7,128,529,870</b>	<b>100.00%</b>	<b>4.84%</b>	<b>6.59%</b>	<b>6.99%</b>	<b>6.76%</b>	<b>7.87%</b>
Lehman Brothers Aggregate	-	-	7.40%	6.38%	6.82%	6.58%	7.68%
Total Fixed-Income Database	-	-	7.25%	6.27%	6.82%	6.62%	7.77%
Core Bond Fixed-Inc. Style	-	-	7.50%	6.39%	6.91%	6.68%	7.87%

# **Defined Benefit Investment Cost Effectiveness Analysis**

(For the 5 years ending December 31, 2004)

## **Indiana State Teachers' Retirement Fund**

Prepared July 20, 2005 by:



350 Bay St., Suite 800, Toronto, ON M5H 2S6  
Tel: 416-369-0568 Fax: 416-369-0879  
[www.costeffectiveness.com](http://www.costeffectiveness.com)

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# This benchmarking report compares your cost and return performance to CEM's extensive pension performance database.

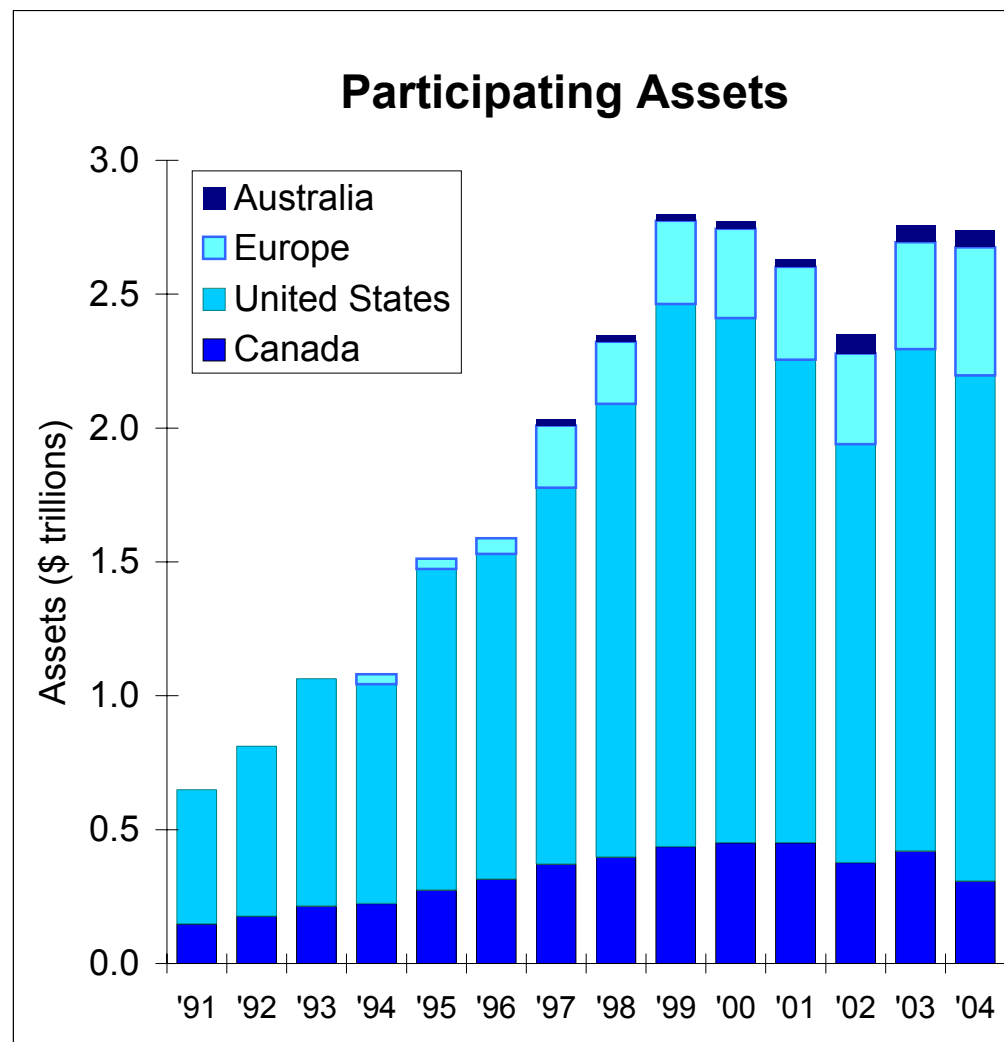
- 141 US pension funds participate. They represent 30% of US defined benefit assets. The median US fund had assets of \$4.4 billion, while the average US fund had assets of \$13.3 billion. Total participating US assets were \$1.9 trillion.

- 80 Canadian funds participate representing 70% of Canadian defined benefit assets.

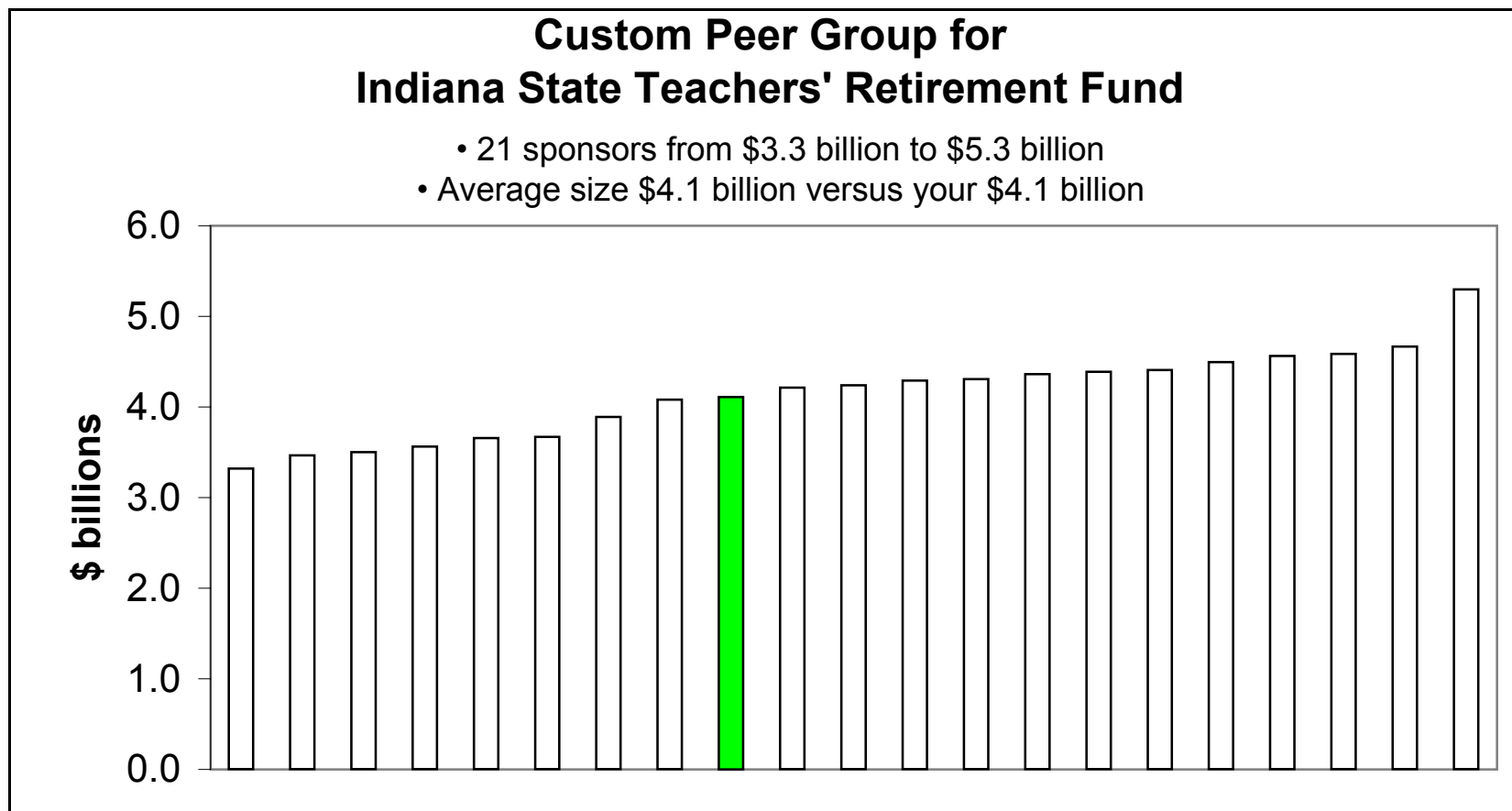
- 15 European funds participate with aggregate assets of €401 billion. Included are funds from The Netherlands, Norway and Ireland.

- 11 Australian funds participate with aggregate assets of A\$60 billion.

The most meaningful comparisons for returns and value added are to the US universe.



**The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.**



In order to preserve client confidentiality, we do not disclose your peers' names in this document because of the Freedom of Information Act.

# What gets measured gets managed, so it is critical that you measure and compare the right things:

## 1. Policy Return

How did the impact of your policy asset mix decision compare to other funds?

## 2. Implementation Value Added

Are your implementation decisions (i.e., mostly active management) adding value?

## 3. Implementation Risk

How much risk was taken to obtain your Implementation Value Added?

## 4. Costs

Are your costs reasonable?  
Costs matter and can be managed.

## 5. Cost Effectiveness

Net Implementation Value Added versus Excess Cost.  
Does paying more get you more?

## 6. Asset-Liability Mismatch Risk

Risk is caused by the mismatch between your assets and your liabilities. How large is your risk?

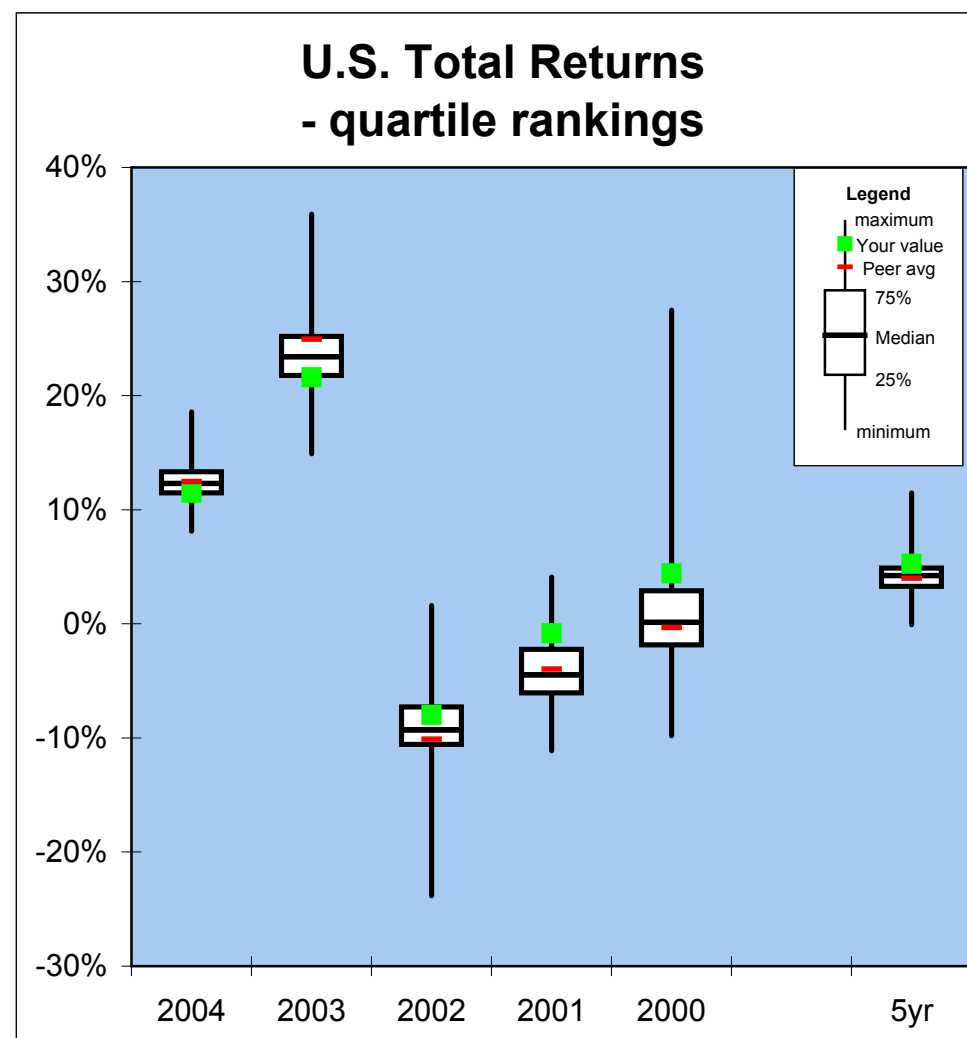
# Total Returns, by themselves, are the wrong thing to compare and focus on.

Total Returns do not tell you the reasons behind good or bad relative performance.

Therefore, we separate Total Return into its more meaningful components - Policy Return and Implementation Value Added.

	Your 5-yr
Total Fund Return	5.25%
Policy Return	5.94%
Implementation Value Added	-0.69%

This approach enables you to understand the contribution from both policy asset mix decisions (which tend to be the Board's responsibility) and implementation decisions (which tend to be management's responsibility).



## 1. Policy Returns

# Your 5-year Policy Return of 5.9% was above the US median of 3.2%.

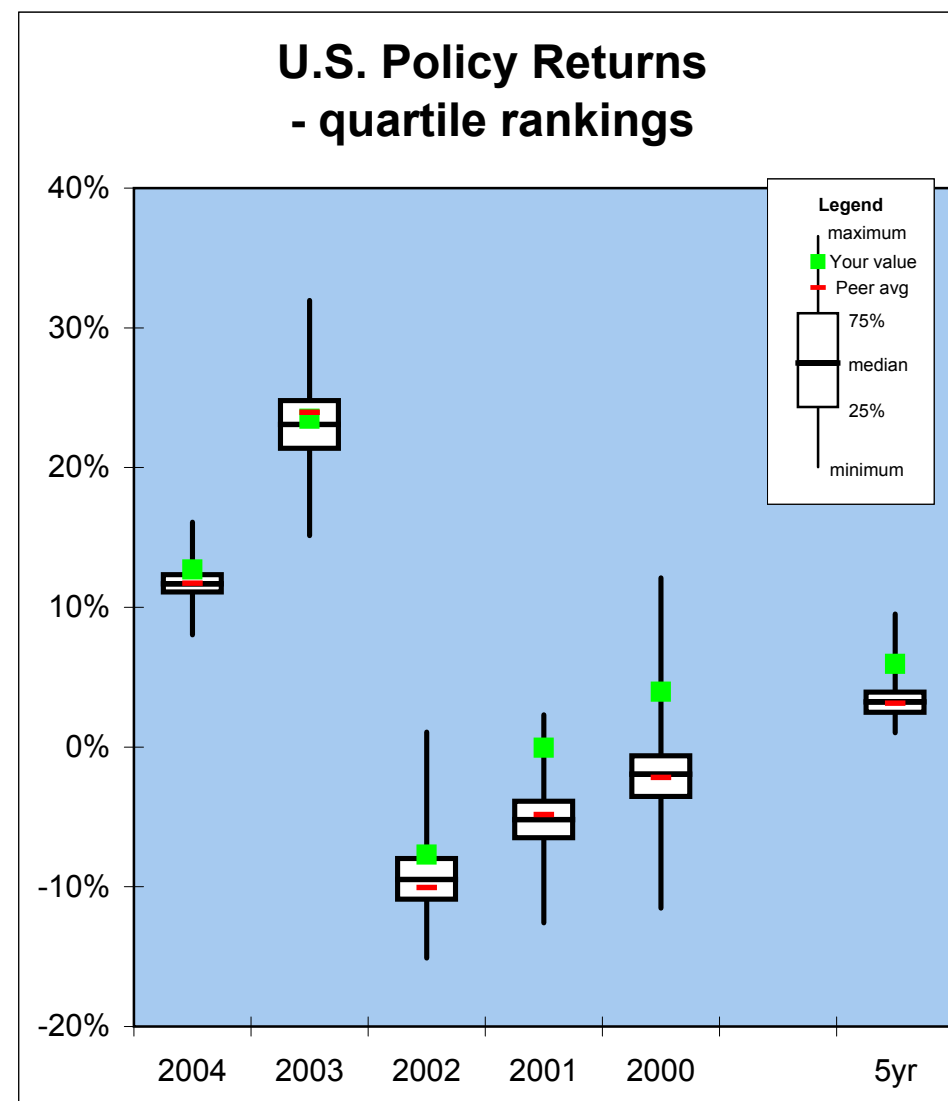
Your Policy Return is the return you could have earned passively by indexing your investments according to your investment policy asset mix.

Having a higher or lower relative Policy Return is not necessarily good or bad. This is because your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk.

Each of these three factors is different across funds. Therefore, it is not surprising that Policy Returns often vary widely between funds.

The median 5-year Policy Return of your Peers was 3.3%.



1. Why does your Policy Return differ from average?

## Your 5-year Policy Return was above the US median primarily because of:

- The positive impact of your higher relative policy weight in two of the better performing asset classes of the past 5-years: Fixed Income (your 5-yr average policy weight of 41% versus a US average of 30%), and Domestic Stocks - Small Cap (your 5-yr average weight of 11% versus a US average of 5%).
- The positive impact of your lower relative policy weight in one of the worst performing asset classes of the past 5 years: Domestic Stocks - Large Cap (your 5-yr average policy weight of 26% versus a US average of 40%).

### 5-year Average Policy Asset Mix

<b>Asset Class</b>	<b>Your Fund</b>	<b>Peer Avg</b>	<b>US Avg</b>
Domestic Stocks - Large Cap	26%	42%	40%
Domestic Stocks - Small Cap	11%	5%	5%
Foreign - Developed Stocks	14%	15%	15%
Foreign - Emerging Markets	0%	1%	1%
Fixed Income	41%	29%	30%
Inflation indexed bonds	0%	0%	1%
Cash	0%	0%	1%
Real Estate & REITS	5%	4%	4%
Private Equity & Hedge Funds	3%	2%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 1. Policy Asset Mix

**Your Policy Asset Mix changed in 2004.  
You added TAA and increased your policy weight to equities.**

<b>Policy Asset Mix</b>		
<b><i>Asset Class</i></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Domestic Stocks - Large Cap	29%	25%
Domestic Stocks -Small Cap	13%	10%
Foreign - Developed Stocks	18%	15%
Fixed Income	25%	40%
TAA	5%	0%
Real Estate & REITS	5%	5%
Private Equity & Hedge Funds	5%	5%
Total	100%	100%

**4. Costs**

- Are they high or low?

## Benchmark Cost analysis suggests that your fund was low cost.

To assess your cost performance, we start by calculating your Benchmark Cost. Your Benchmark Cost is an estimate of what your cost would be given your asset mix and the median costs that your peers pay for similar services.

	in \$000's	basis points
<b>Your Fund's Total Cost</b>	<b>\$7,931</b>	<b>19.4 bp</b>
<b>Your Fund's Benchmark Cost*</b>	<b><u>\$13,295</u></b>	<b><u>32.5 bp</u></b>
<b>Your Fund's Excess Cost</b>	<b><u>-\$5,365</u></b>	<b><u>-13.1 bp</u></b>

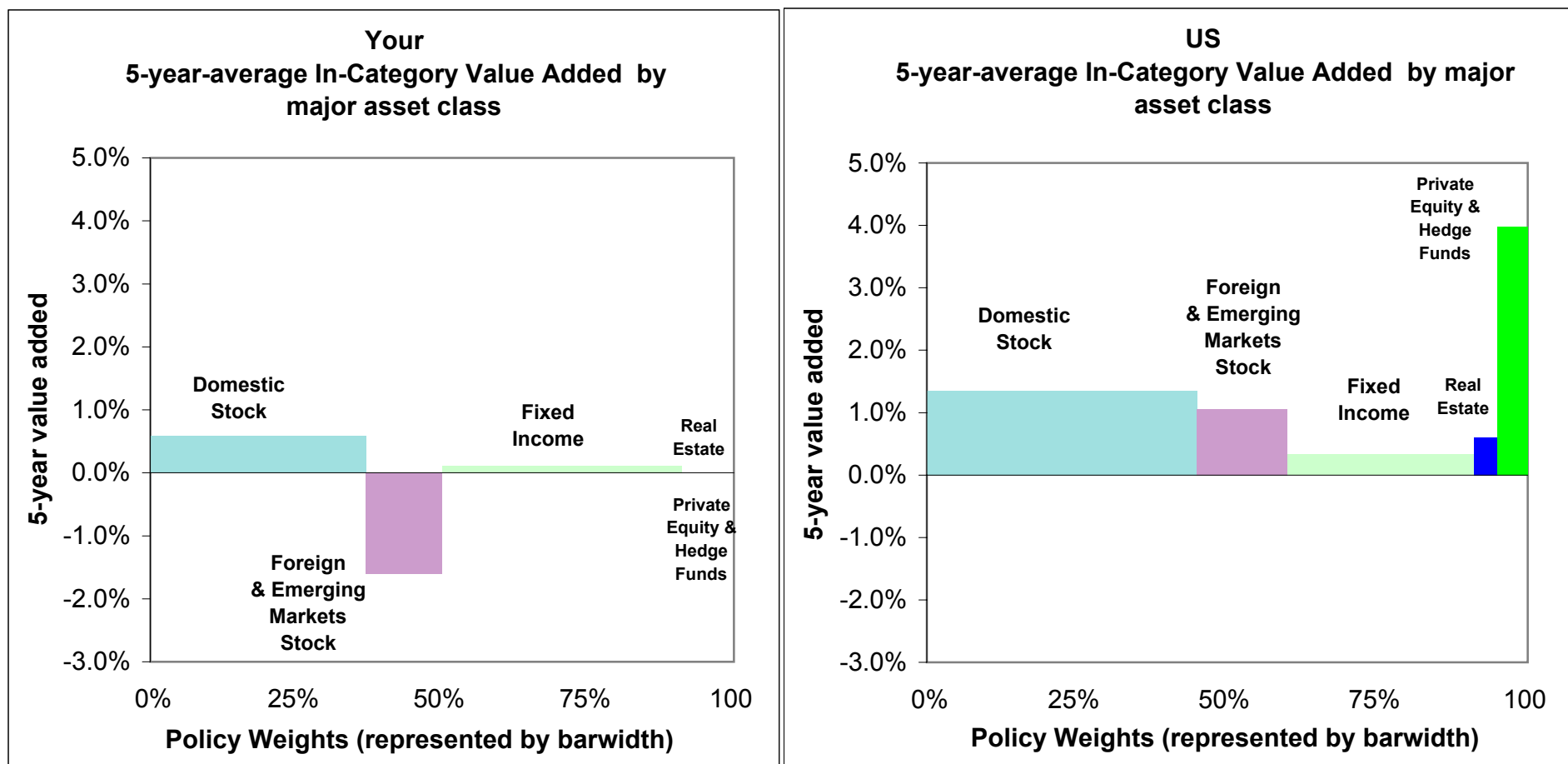
Your Total Cost of 19.4 bp was lower than your Benchmark Cost of 32.5 bp. Thus, your fund's Excess Cost was -13.1 bp, suggesting that your fund was low cost.

The following pages review reasons behind your low cost status.



**2. Implementation**  
**Value Added**  
(In-category by Asset Class)

# You had positive 5-yr In-Category Value Added in Domestic Stock and Fixed Income.



Note: The gap at the end of your policy weight barwidth was due to 2 factors:

- 1) You only had Private Equity policy weights for the last 3 years, instead of 5 years.
- 2) You have a policy allocation to Real Estate/REITs but no actual holdings.

Thus, no 5 year policy weights could be calculated for either of these asset classes.

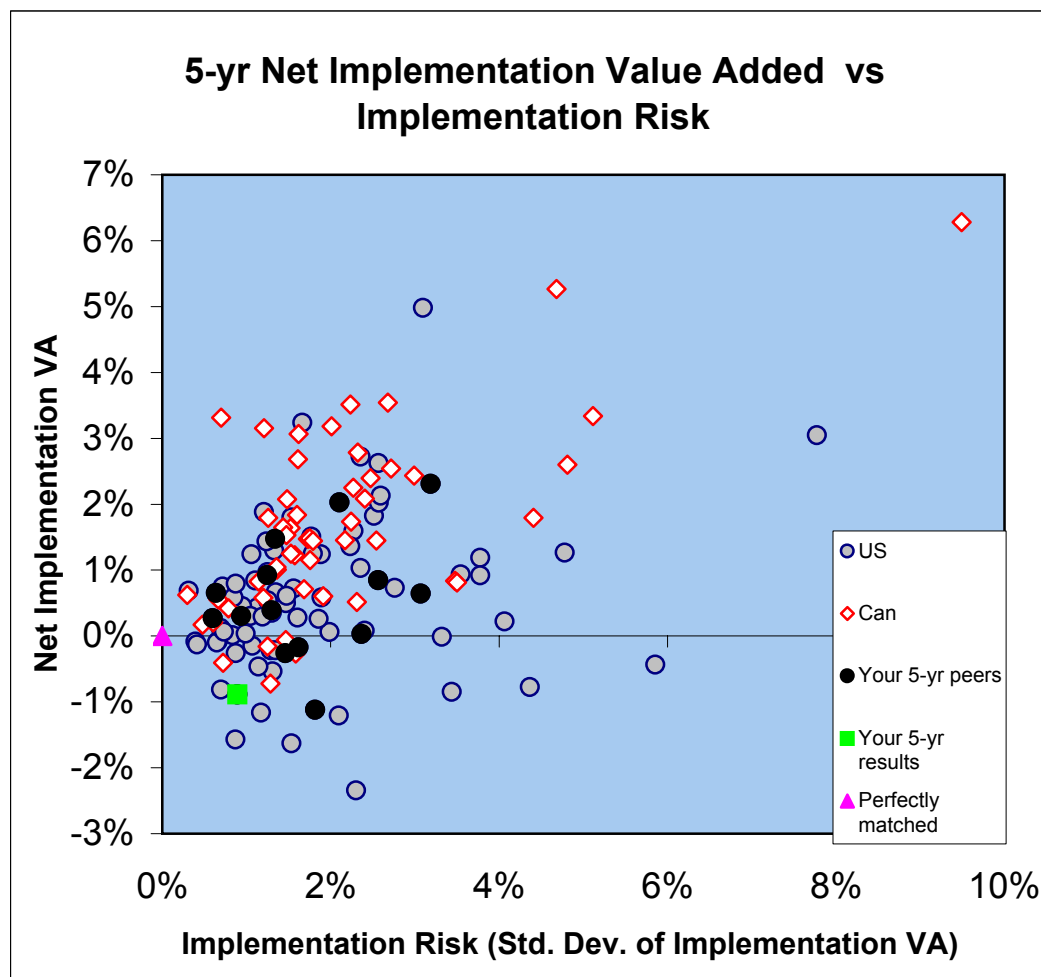
### 3. Implementation Risk

**Your 5-yr Implementation Risk of 0.9% was below the US median of 1.5%.**

"Implementation Risk" is the risk of active management. CEM defines Implementation Risk as the standard deviation of your Net Implementation Value Added.

Net Implementation Value Added equals gross Implementation Value Added minus asset management costs. Your 5-year Net Implementation Value Added was -0.9% (-0.7% gross minus 0.2% costs).

There was a positive relationship between Implementation Risk and Value Added over the past 5 years. On average, funds that took more Implementation Risk earned more Implementation Value Added.



**4. Costs  
(Total)**

## Your asset management costs (including Oversight) in 2004 were \$7.9 million or 19.4 basis points.

- CEM collects investment costs by major asset classes and 4 different implementation styles.
- Oversight, Custodial & Other cost includes all costs associated with the oversight and administration of the investment operation, regardless of how these costs are paid. Costs pertaining to benefit administration, such as preparing checks for retirees, are specifically

<b>Your Investment Management Costs (\$000s)</b>				
	<u>Internal</u>		<u>External</u>	
	Passive	Active	Passive	Active
Domestic Equity - Large Cap			943	1,521
Domestic Equity - Small Cap			14	2,205
Foreign Equity			323	992
Domestic Fixed Income				762
Fund of Fund VC & LBO (including underlying fees)				495
<b>Total Investment Management Costs</b>				17.7bp
				7,255

<b>Your Oversight, Custodial and Other Asset Related Costs (\$000s)</b>	
Oversight of the Fund	288
Trustee & Custodial	58
Consulting and Performance Measurement	275
Audit	19
Other	36
<b>Total Oversight, Custodial &amp; Other Costs</b>	1.6bp
	676

<b>Total Asset Management Costs in \$000s</b>	19.4bp	7,931
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**4. Costs**

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## Benchmark Cost analysis suggests that your fund was low cost.

To assess your cost performance, we start by calculating your Benchmark Cost. Your Benchmark Cost is an estimate of what your cost would be given your asset mix and the median costs that your peers pay for similar services.

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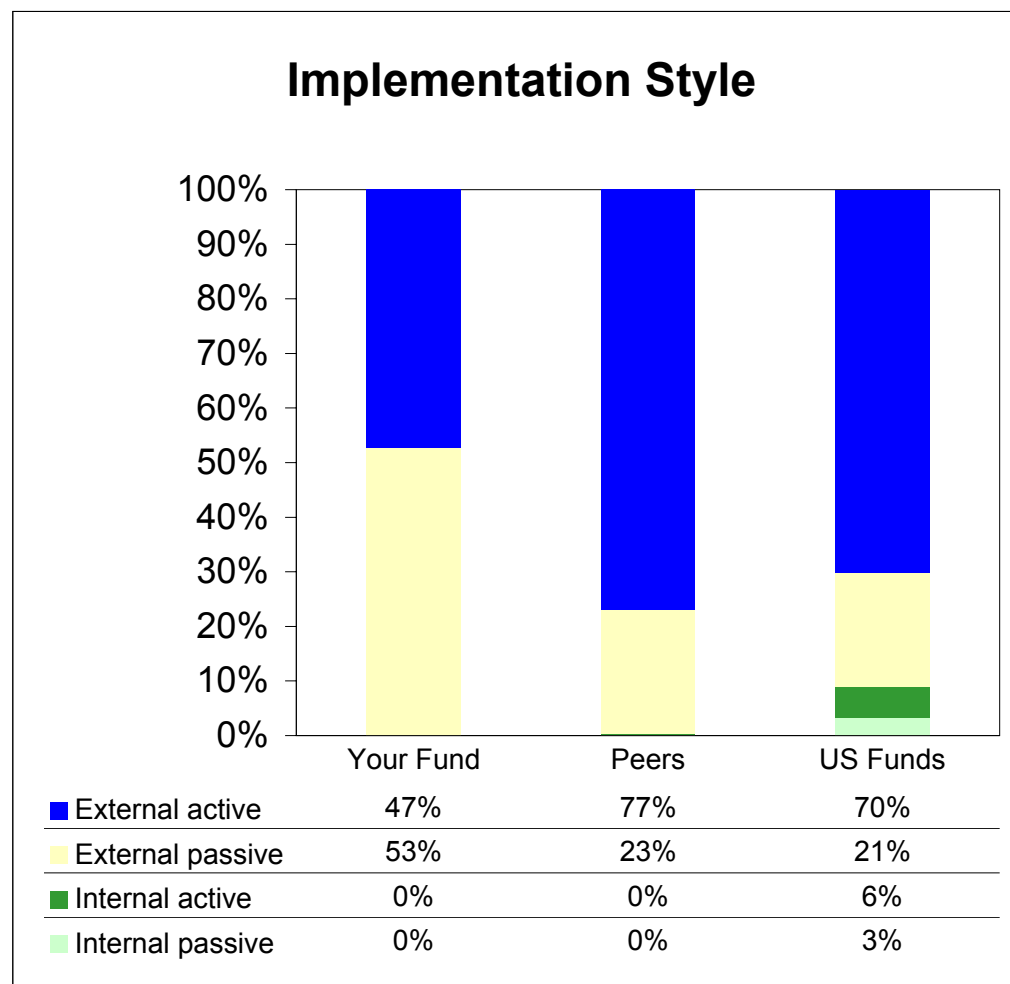
Your Total Cost of 19.4 bp was lower than your Benchmark Cost of 32.5 bp. Thus, your fund's Excess Cost was -13.1 bp, suggesting that your fund was low cost.

The following pages review reasons behind your low cost status.

#### 4. Costs Is it Style?

**Your fund used less external active management than your peers (47% versus 77% for your peers).**

- External active management is much more expensive than internal management, or external passive management.



**4. Costs -  
Impact of Style**

**Your lower use of external active management saved you 9.2 bp relative to your peers.**

Impact from differences in use of External Active management					
	Average Holdings \$M	External Active			Dollar Impact \$000
		Holdings % of asset class		Cost	
		Your%	Peer Avg%	Premium <sup>1,2</sup>	
Domestic Equity - Large Cap	\$1,861	18.8%	53.9%	32.1	-2,098
Domestic Equity - Small Cap	\$544	87.1%	90.5%	63.9	-117
Foreign Equity	\$799	28.2%	84.9%	36.9	-1,673
Domestic Fixed Income	\$850	100.0%	95.5%	15.2	58
Venture Capital/LBO (fees pd)	\$41	{	0.0%	24.1%	N/A
Fund of Funds			100.0%	75.9%	57.0
Total	\$4,095	47.4%	77.0%		-\$3,774
External Active Impact in bps					-9.2 bp
Impact of differences in the cost and use of lower cost styles <sup>3</sup>					0.0 bp
Total Style Impact					-9.2 bp

1. External Active Cost Premium is the additional cost of external active management relative to the average of other lower cost implementation styles - internal passive, internal active and external passive.

2. An external Active Cost Premium of 'N/A' Indicates that there was insufficient peer data to calculate the premium. This is most often a result of insufficient peer lower cost' implementation style data.

3. The 'Impact of differences in the cost and use of lower cost styles' quantifies the net impact of your relative use of, and the cost differences between , internal passive, internal active and external passive management.

**4. Costs -  
Are you paying  
more for similar  
services?**

**The net impact of differences in your Oversight,  
Custodial & Other Costs saved you 1.4 bp.**

<b>Oversight, Custodial &amp; Other Costs</b>				
	<b>Your 2004</b>		<b>Peer Median in bp</b>	<b>Impact of the difference in \$000's</b>
	<b>Avg Holdings in \$mils</b>	<b>Costs in bp</b>		
Oversight	4,095	0.7 bp	0.9 bp	-84
Custodial/Trustee	4,095	0.1 bp	1.1 bp	-379
Consulting/Performance Measurement	4,095	0.7 bp	0.6 bp	11
Audit	4,095	0.0 bp	0.1 bp	-26
Other	4,095	0.1 bp	0.3 bp	-83
<b>Total Impact in \$000's</b>				<b>-\$561</b>
<b>Total Impact in basis points</b>				<b>-1.4 bp</b>

**4. Costs -**  
**Are you paying**  
**more for similar**  
**services?**

## The net impact of differences in External Investment Management costs saved you 2.5 bp.

<b>External Investment Management Costs</b>				
	<b>Your 2004</b>		<b>Peer Median</b>	<b>Impact of the difference</b>
	<b>Avg Holdings</b>	<b>Costs</b>		
	<b>in \$mils</b>	<b>in bp</b>	<b>in bp</b>	<b>in \$000's</b>
Domestic Equity - Large Cap - Passive	1,511	6.2	1.5	709
Domestic Equity - Large Cap - Active	350	43.5	33.7	342
Domestic Equity - Small Cap - Passive	70	2.0	3.2	-8
Domestic Equity - Small Cap - Active	474	46.5	67.1	-974
Foreign Equity - Passive	574	5.6	6.5	-51
Foreign Equity - Active	225	44.1	43.4	16
Domestic Fixed Income - Active	850	9.0	17.2	-703
Venture Capital/LBO (fees pd) - Active F. of F.	41	122.2	211.2	-361
<b>Total External Investment Management Impact in \$000's</b>				<b>-\$1,030</b>
<b>Total External Investment Management Impact in basis points</b>				<b>-2.5 bp</b>



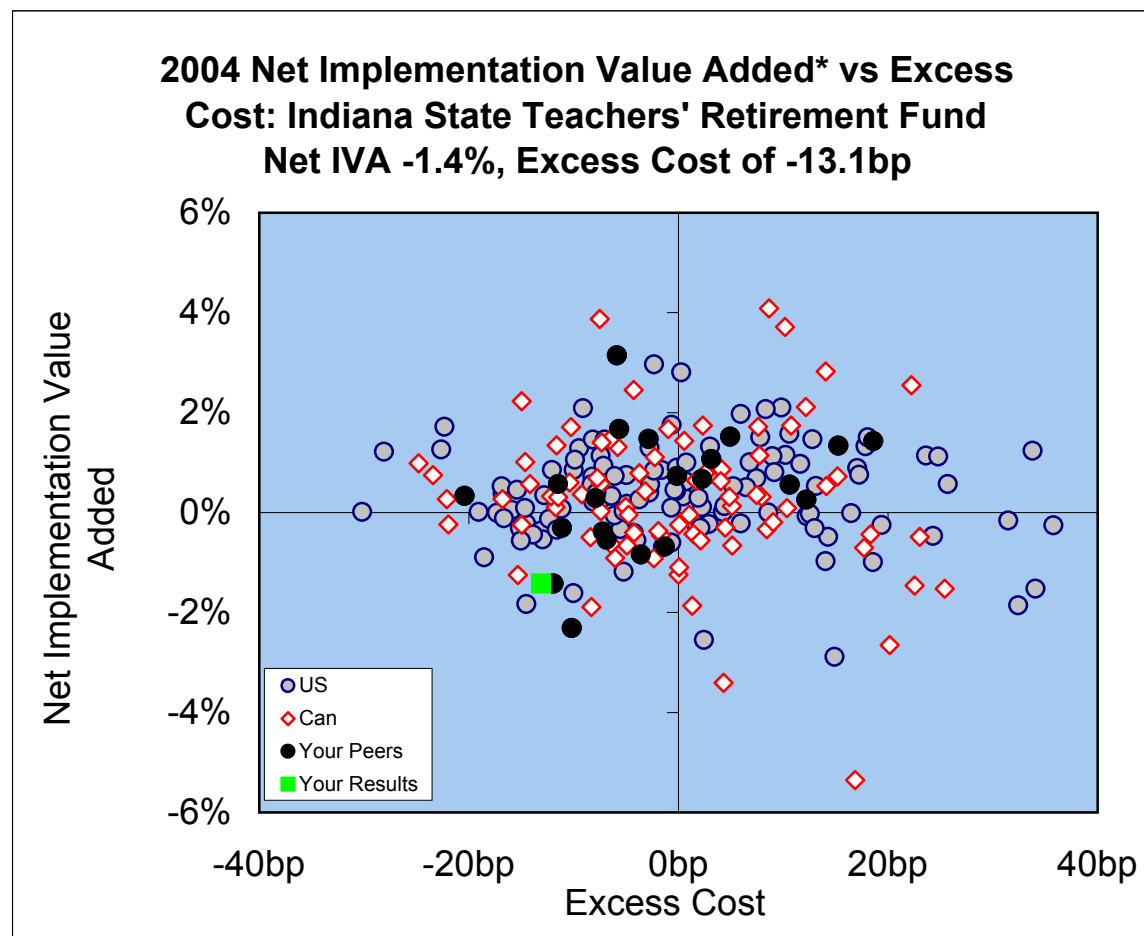
#### 4. Costs - Summary

**In summary, you were low cost because you used less external active management and you paid less for most services.**

<b>Your 2004 Excess Cost Breakdown</b>		
	<i>Impact in in \$000's</i>	<i>Impact in basis points</i>
Impact of:		
Implementation Style Differences:		
Less external active management	-3,774	-9.2
Other Style Differences	1	0.0
Paying more or less than your peers for similar services		
Oversight, Custodial & Other Costs	-561	-1.4
External Investment Management Costs	-1,030	-2.5
<b>Total Excess Cost</b>	<b>-5,365</b>	<b>-13.1</b>

**5. Cost  
Effectiveness  
- 1 year**

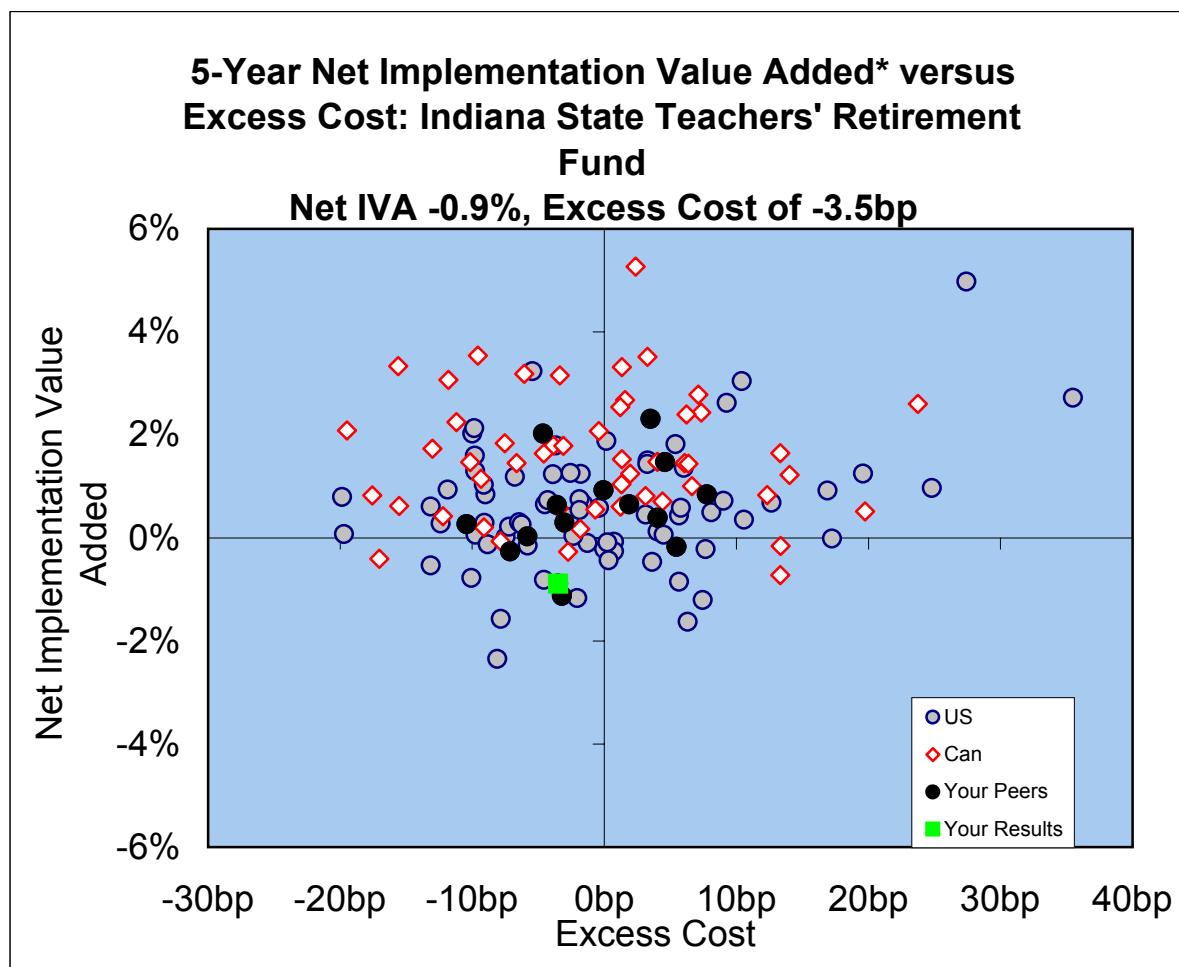
**For 2004 you were in the negative value added, low cost quadrant of the Cost Effectiveness Chart.**



\* Your 2004 Net Implementation Value Added of -1.4% equals your -1.2% gross impl. value added minus your 0.2% total cost.

**5. Cost  
Effectiveness  
- 5 year**

**Your 5-year performance placed you in the negative value added, low cost quadrant.**



Your 5-year Excess Cost of -3.5bp equals the average of your Excess Cost for each of the past 5 years..  
Your 5-year Net Implementation Value Added of -0.9% equals your -0.7% 5-year gross impl. value added minus your 0.2% 5-year-average total cost.

## 6. Asset - Liability Mismatch Risk

# The largest risk for most pension funds is caused by the mismatch between their assets and their liabilities.

In order to calculate your asset-liability mismatch risk we model your unsmoothed mark-to-market liabilities (i.e. Your Neutral Asset Mix).

Your Neutral Asset Mix is the combination of nominal and inflation indexed bonds that most closely matches your pension liabilities. It takes into account the sensitivity of your pension liabilities to changes in real and nominal interest rates. It reflects:

- Your plan type. You have a Highest 5 Year Average plan. Highest Average plans provide close to 100% inflation protection for active members whereas Career Average and Flat Benefit plans provide less than 100% inflation protection to active members.
- Your pension promise in terms of post-retirement inflation protection. Your contractual inflation protection for retirees was 0%.
- The proportion of your membership that is active, deferred and retired. Older plans with more retirees have shorter durations than younger plans with more active members.

Your Neutral Asset Mix		
	Modified Duration	% of Assets
Inflation Indexed Bonds	10.0	57%
Nominal Bonds	23.3	43%
Total		100%

*There are two very good reasons why funds do not guarantee their pension liabilities by purchasing their neutral asset mix. First, it is impractical for large funds due to the limited supply of inflation indexed assets. Second, because this low risk strategy also has a lower expected return.*

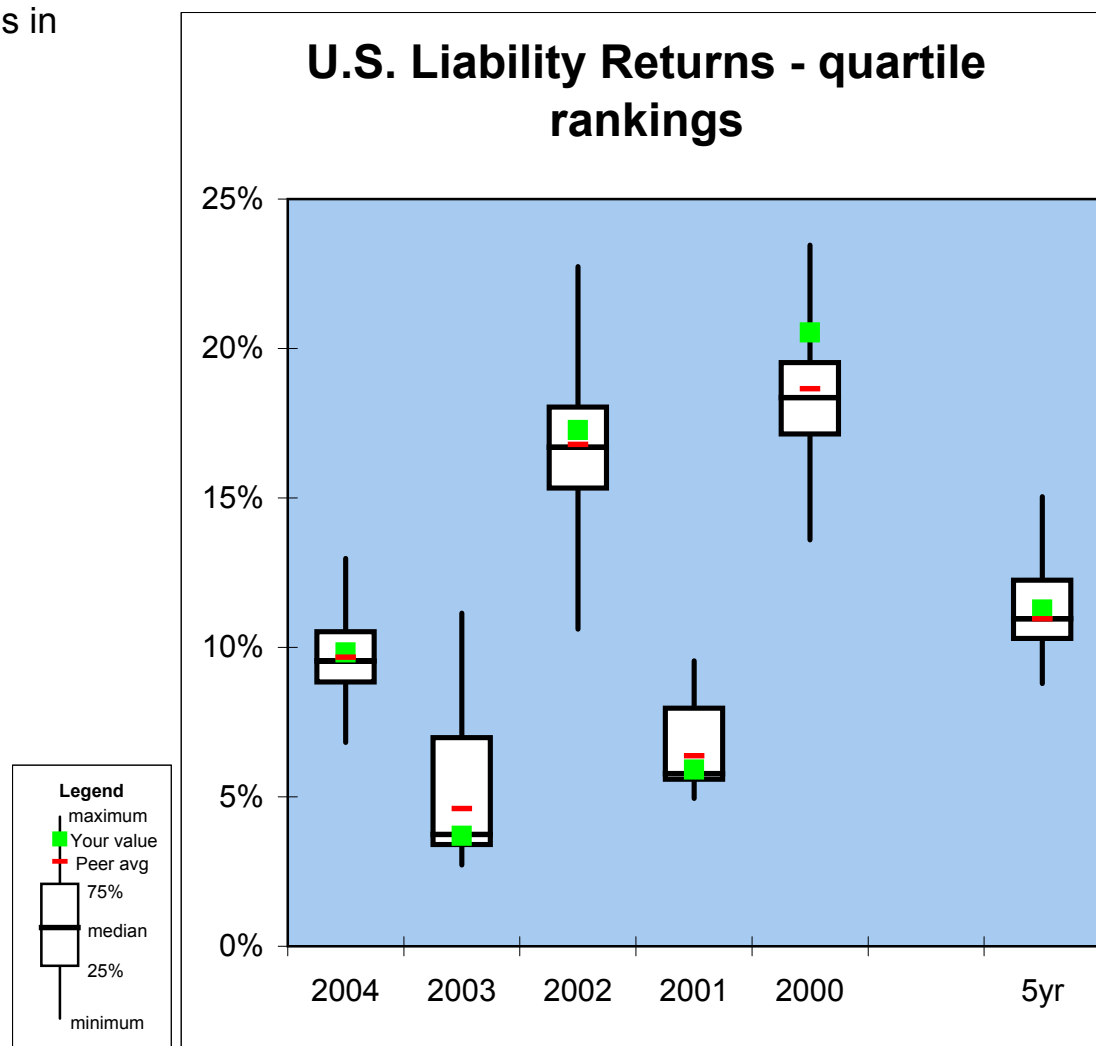
## 6. Asset - Liability Mismatch Risk

# Mark-to-market liabilities are extremely volatile.

The change in your liabilities caused by changes in market factors is called your 'Liability Return.' It equals the return on your Neutral Asset Mix.

Your Liability Return of 11.3% was close to the U.S. median of 11.0%. There were several offsetting factors that impacted your Liability Return. Including:

- 1) Your 5 Year Highest Average plan, which added to the portion of Inflation Index Bonds in your Neutral Asset Mix.
- 2) Your 34% of liabilities for retirees versus a US average of 48% - this increased the duration of the nominal bonds in the portfolio.
- 3) Your 0% inflation protection for retirees versus a US average of 30%. This added to your proportion of nominal bonds in your neutral portfolio.



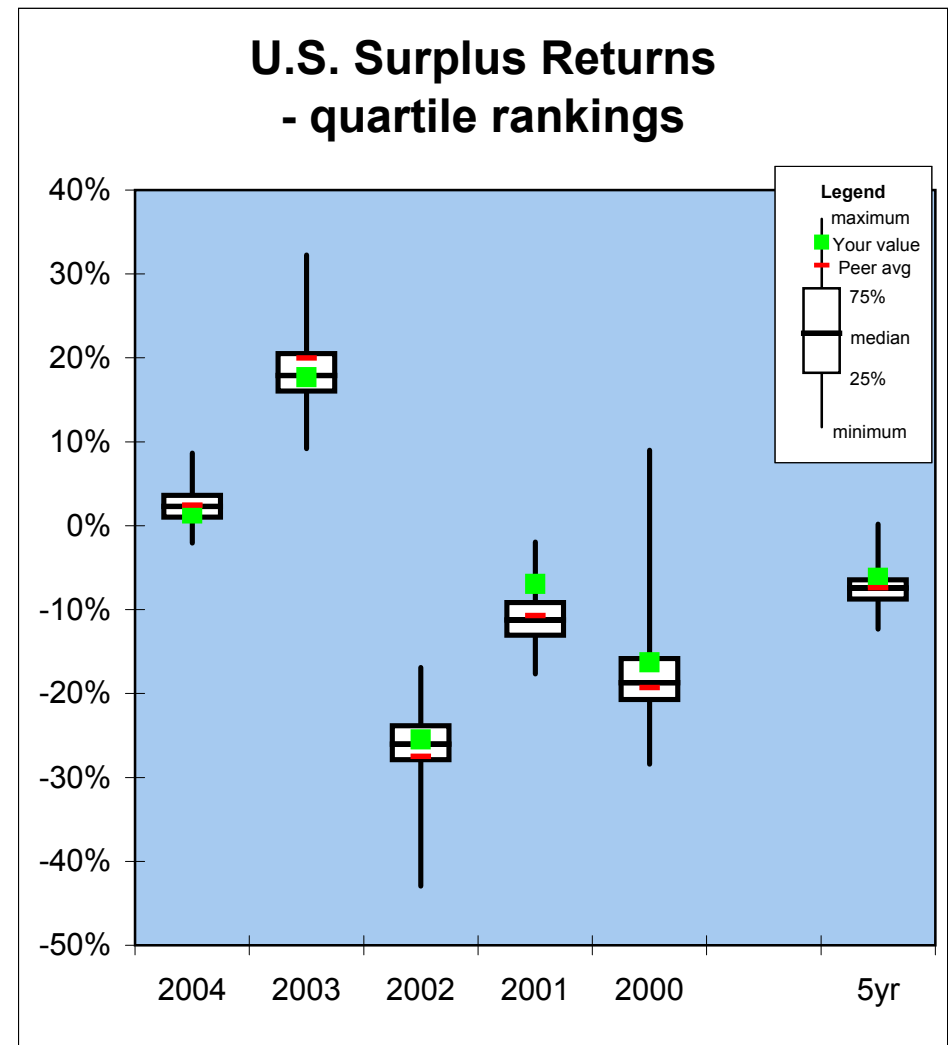
## 6. Asset - Liability Mismatch Risk

# Surplus Returns measure whether or not your assets are growing faster than your mark-to-market liabilities.

Your 5-year Surplus Return was -6.2% per annum. In other words, your mark-to-market liabilities grew 6.2% per annum faster than your assets as a result of market factors.

Calculation of Your 5-yr Surplus Return	
	<u>5-year</u>
+ Total Return	5.3%
- Change in liabilities caused by market factors ("Liability Return")	11.3%
- Costs	0.2%
= Surplus Return	-6.2%

Your -6.2% compares to a peer median of -6.9% and a US median of -7.4%.



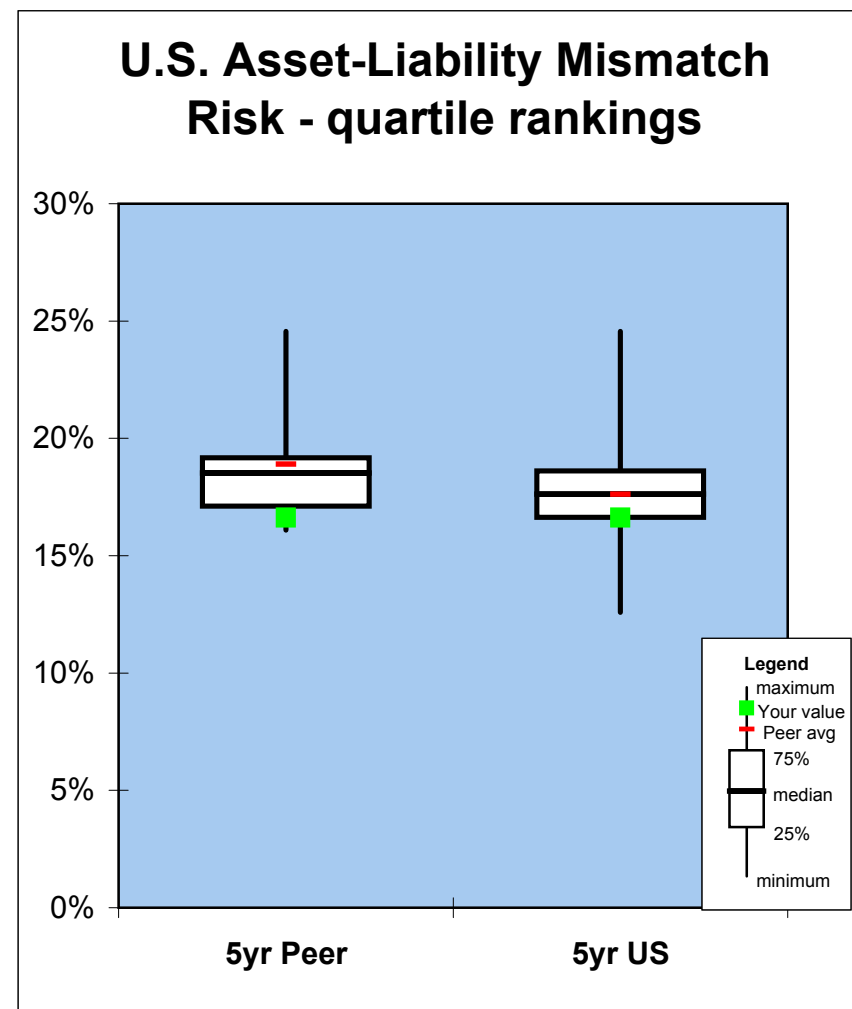
## 6. Asset - Liability Mismatch Risk

# Your Asset-Liability Mismatch Risk for the 5-years ending 2004 was 16.6%.

Risk is created by the mismatch between your assets and your liabilities. This mismatch is caused by both asset mix policy decisions and implementation decisions. It is calculated as the standard deviation of your Surplus Returns.

This analysis implies that 1 year in 20 you can expect to lose in excess of  $1.65 \times 16.6\% = 27.4\%$  relative to your current funded status. Of course, 1 year in 20 you can also expect to gain in excess of the same amount.

The peer median Asset-Liability mismatch risk was 18.5% and the US median was 17.6%.



## In summary:

### 1. Policy Return

- Your 5-year Policy Return was 5.9%. This was above the US median of 3.2% and above the peer median of 3.3%.

### 2. Implementation Value Added

- Your 5-year Implementation Value Added was -0.7%. This compares to the US median of 0.8% and the peer median of 0.8%.

### 3. Implementation Risk

- Your 5-year Implementation Risk was 0.9%. This was below the US median of 1.5% and below the peer median of 1.5%.

### 4. Costs

- Your Total Cost of 19.4 bps was below your Benchmark Cost of 32.5 bps. This suggests that your fund was low cost.

You were low cost because you used less external active management and you paid less for most services.

### 5. Cost Effectiveness

- Your 5-year performance placed you in the negative value added, low cost quadrant of the Cost Effectiveness Chart.

### 6. Asset-Liability Mismatch Risk

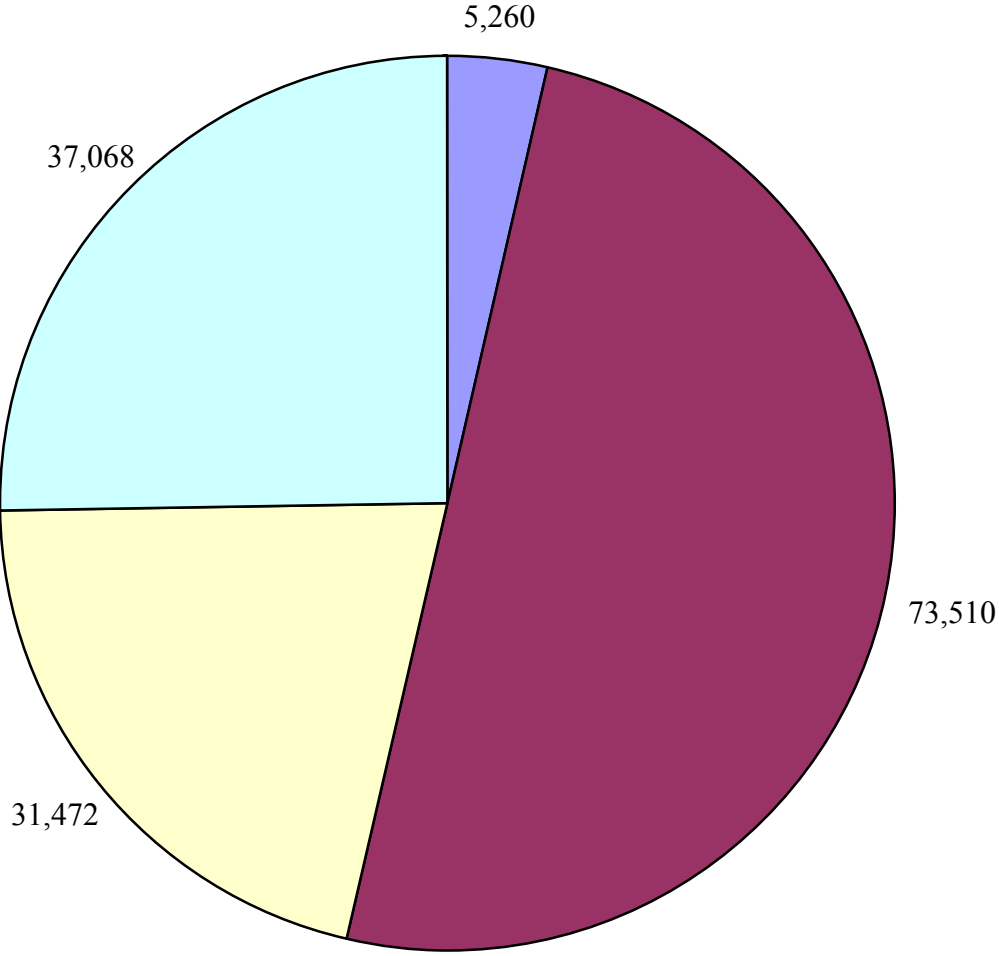
- Your 5-year Asset-Liability Mismatch Risk was 16.6%. This was below the US median of 17.6% and below the peer median of 18.5%.



# **ACTUARIAL REPORTS**

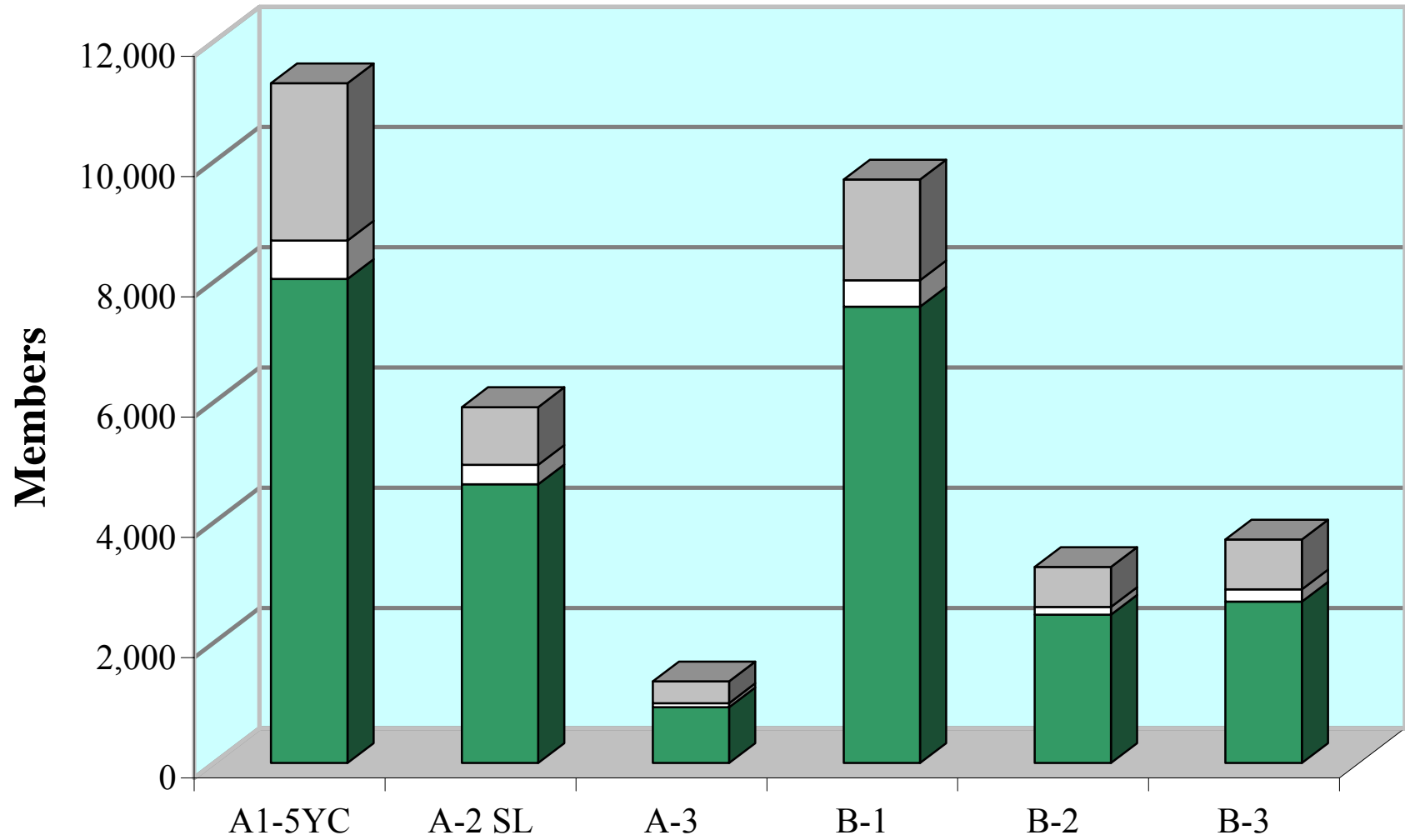


# FUND MEMBERS



Inactive  Active  Non-Vested  Retirees

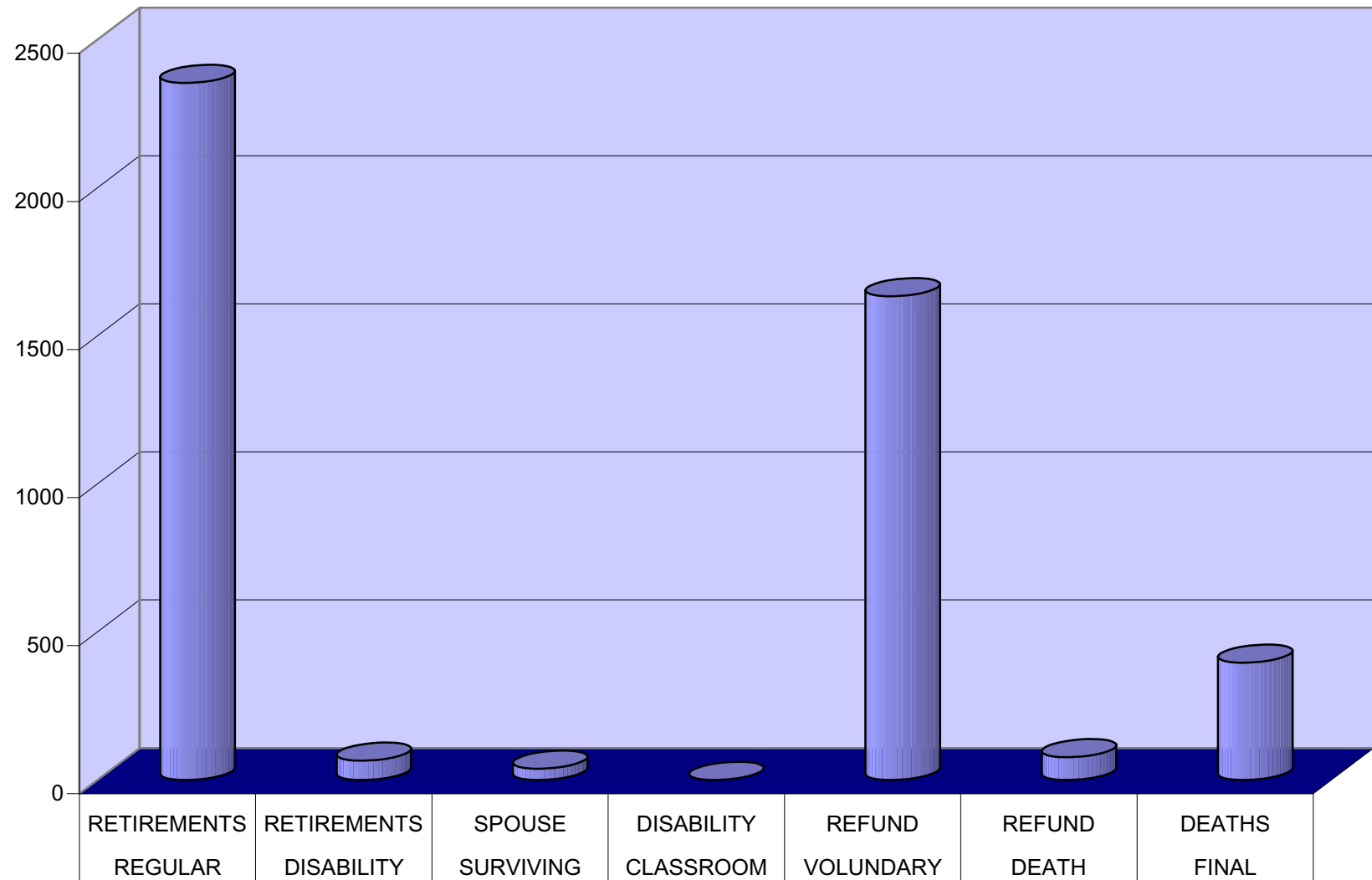
## Retired Member Options



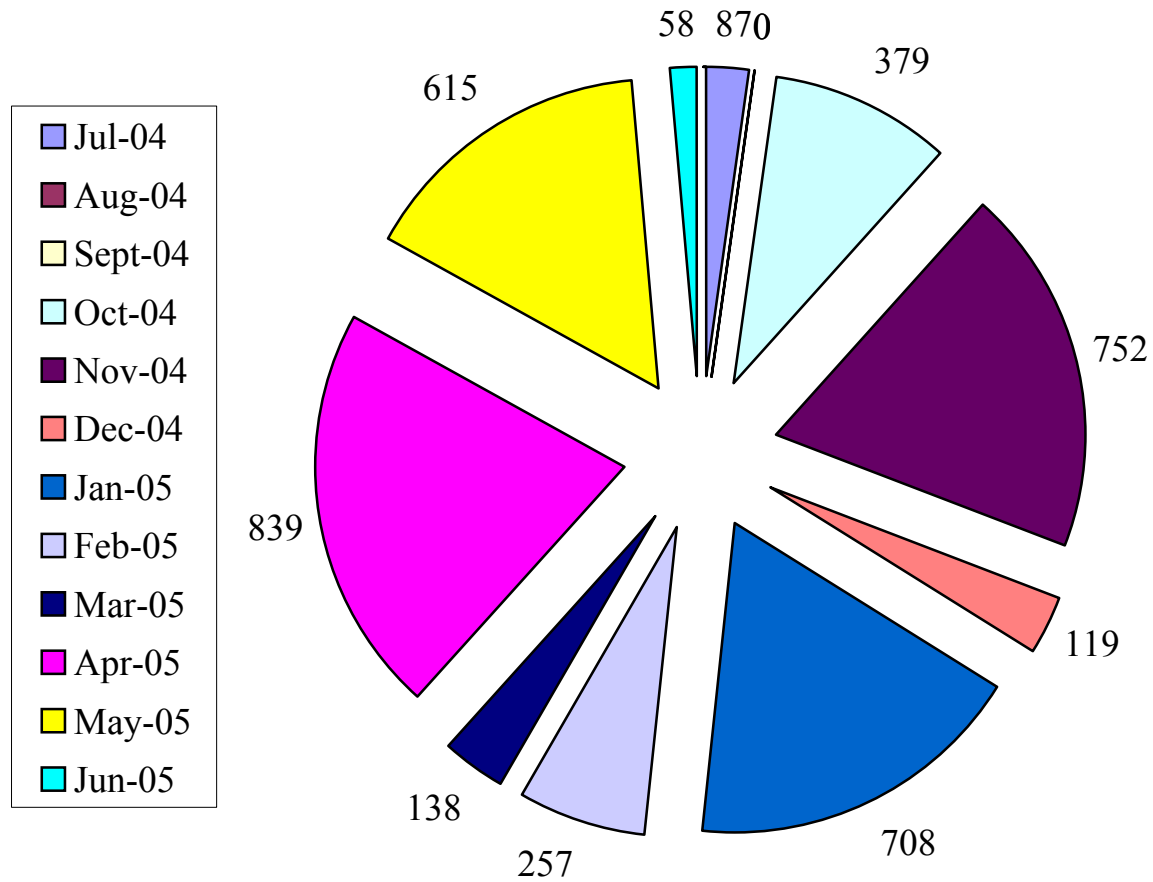
■ Regular □ A-4 ■ SS After 65

Option

## DISTRIBUTIONS FOR FISCAL YEAR 2004-2005



# ALLOCATION CHANGES BY MONTH



**CLOSED PLAN**  
**RETIRED MEMBERS AND BENEFICIARIES JUNE 30, 2004**  
**TABULATED BY YEAR OF RETIREMENT**

---

Year of Retirement	Number	Monthly Pensions	
		Total	Average
Before 1950	10	\$ 7,329	\$ 733
1950-1959	40	20,832	521
1960	15	5,146	343
1961	16	6,079	380
1962	26	7,874	303
1963	23	7,836	341
1964	37	14,431	390
1965	42	13,580	323
1966	51	17,329	340
1967	66	24,182	366
1968	92	38,882	423
1969	115	52,329	455
1970	143	66,928	468
1971	200	99,037	495
1972	240	125,379	522
1973	323	185,220	573
1974	363	200,208	552
1975	340	191,134	562
1976	399	234,514	588
1977	444	264,784	596
1978	502	309,582	617
1979	583	363,068	623
1980	642	390,460	608
1981	650	401,266	617
1982	633	397,047	627
1983	691	437,495	633
1984	761	490,135	644
1985	1,080	741,648	687
1986	874	616,594	706
1987	1,007	756,491	751
1988	1,116	892,426	800
1989	884	738,413	835
1990	1,362	1,284,068	943
1991	1,302	1,313,509	1,009
1992	1,167	1,219,673	1,045
1993	1,220	1,380,425	1,132
1994	1,361	1,562,574	1,148
1995	1,681	2,012,551	1,197
1996	1,668	2,054,973	1,232
1997	1,445	1,753,793	1,214
1998	1,801	2,266,040	1,258
1999	1,638	2,236,916	1,366
2000	1,913	2,752,006	1,439
2001	1,906	2,933,557	1,539
2002	2,179	3,406,160	1,563
2003	1,842	2,997,757	1,627
2004	1,378	2,356,883	1,710
<b>TOTALS</b>	<b>36,271</b>	<b>\$39,648,539</b>	<b>\$1,093</b>

**NEW PLAN**  
**RETIRED MEMBERS AND BENEFICIARIES JUNE 30, 2004**  
**TABULATED BY YEAR OF RETIREMENT**

---

Year of Retirement	Number	Monthly Pensions	
		Total	Average
1974	1	\$ 331	\$ 331
1975	1	258	258
1981	3	1,683	561
1982	1	848	848
1985	1	870	870
1986	2	1,415	707
1987	6	4,386	731
1988	6	4,399	733
1989	6	4,108	685
1990	10	8,449	845
1991	14	10,952	782
1992	11	11,619	1,056
1993	11	9,784	890
1994	13	13,406	1,031
1995	19	20,270	1,067
1996	29	33,481	1,155
1997	28	30,937	1,105
1998	38	40,815	1,074
1999	48	61,827	1,288
2000	69	80,370	1,165
2001	87	118,659	1,364
2002	120	184,503	1,538
2003	172	279,639	1,626
2004	101	155,430	1,539
<b>TOTALS</b>	<b>797</b>	<b>\$1,078,439</b>	<b>\$1,353</b>

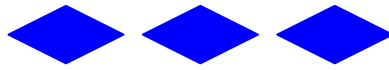
## INCOMING CALL ANALYSIS REPORT

**Fiscal Year Ending June 30, 2005**

Calls Received by Member Services Center	54,100
Night Calls on Voice Mail	5,527
Average Speed of Answer (in seconds)	10
Incoming Calls Reaching Busy Tone	0%
Average Length of Conversation (in seconds)	134



# BENCHMARKS



# **Defined Benefit Administration Benchmarking Analysis**

January 17, 2005

**Indiana State TRF**

Prepared January 17, 2005 by:

Cost Effectiveness Measurement Inc.  
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## **The objective of this report is to help you understand:**

1. How your Total Benefit Administration Costs compare to your peers.
2. How your Service Levels compare to your peers in key service areas.
3. How Work, Economies of Scale, Service Levels, Member to Staff Ratio and Complexity impact your costs.
4. What you do differently from your peers.

**When evaluating costs and performance, the most relevant comparisons are to systems similar to you in membership and nationality. Your peer group consists of US participants close to you in membership size.**

<b>Custom Peer Group for Indiana State TRF</b>	<b>Membership (000s)</b>		
	<b>Annuitants</b>	<b>Active Members</b>	<b>Total</b>
Dallas ERF	5	8	12
ERS of Texas	60	135	195
Idaho PERS	26	63	90
Illinois MRF	77	168	245
Illinois TRS	77	158	235
Indiana PERF	53	176	229
Indiana State TRF	37	74	111
Iowa PERS	77	160	237
LACERA	64	86	150
Michigan MERS	18	37	56
MOSERS	25	56	81
Nevada PERS	29	90	119
Ohio SERS	61	123	184
Orange County ERS	9	23	32
San Diego County ERA	11	18	28
Texas MRS	24	91	115
TRS Louisiana	56	90	146
<b>Average</b>	<b>42</b>	<b>91</b>	<b>133</b>
<b>Median</b>	<b>37</b>	<b>90</b>	<b>119</b>

**The focus of this analysis is to understand and quantify your costs. Several factors drive costs. We analyze the following 5 key factors:**

Cost Drivers that we measure:

1. Total Volume
  - The effect of economies of scale
2. Service Levels
  - Timeliness, capability, availability, quality
3. Work
  - Transaction Types and Volumes
4. Member to Staff Ratio
5. Complexity
  - The rules & regulations of your system

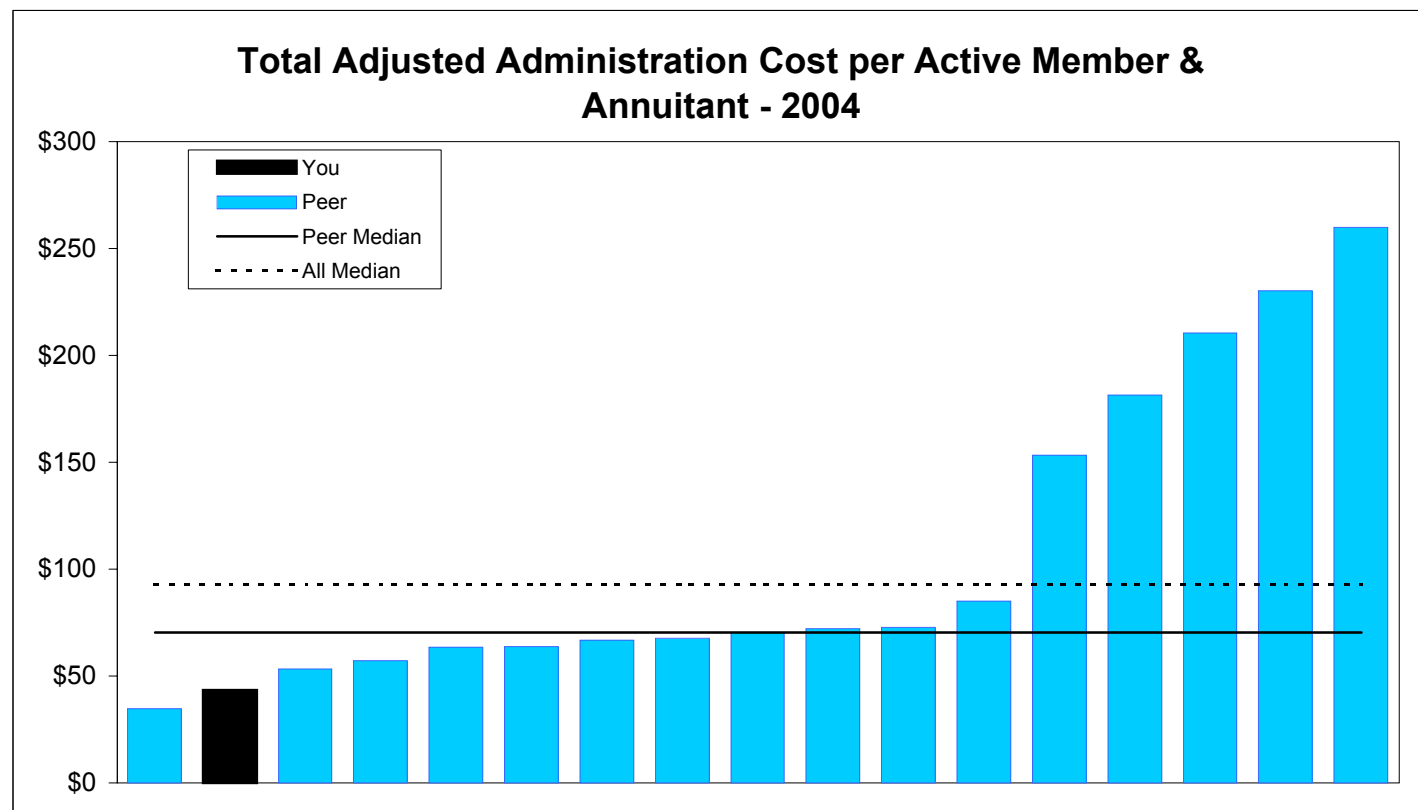


Total Administration  
Cost per Member

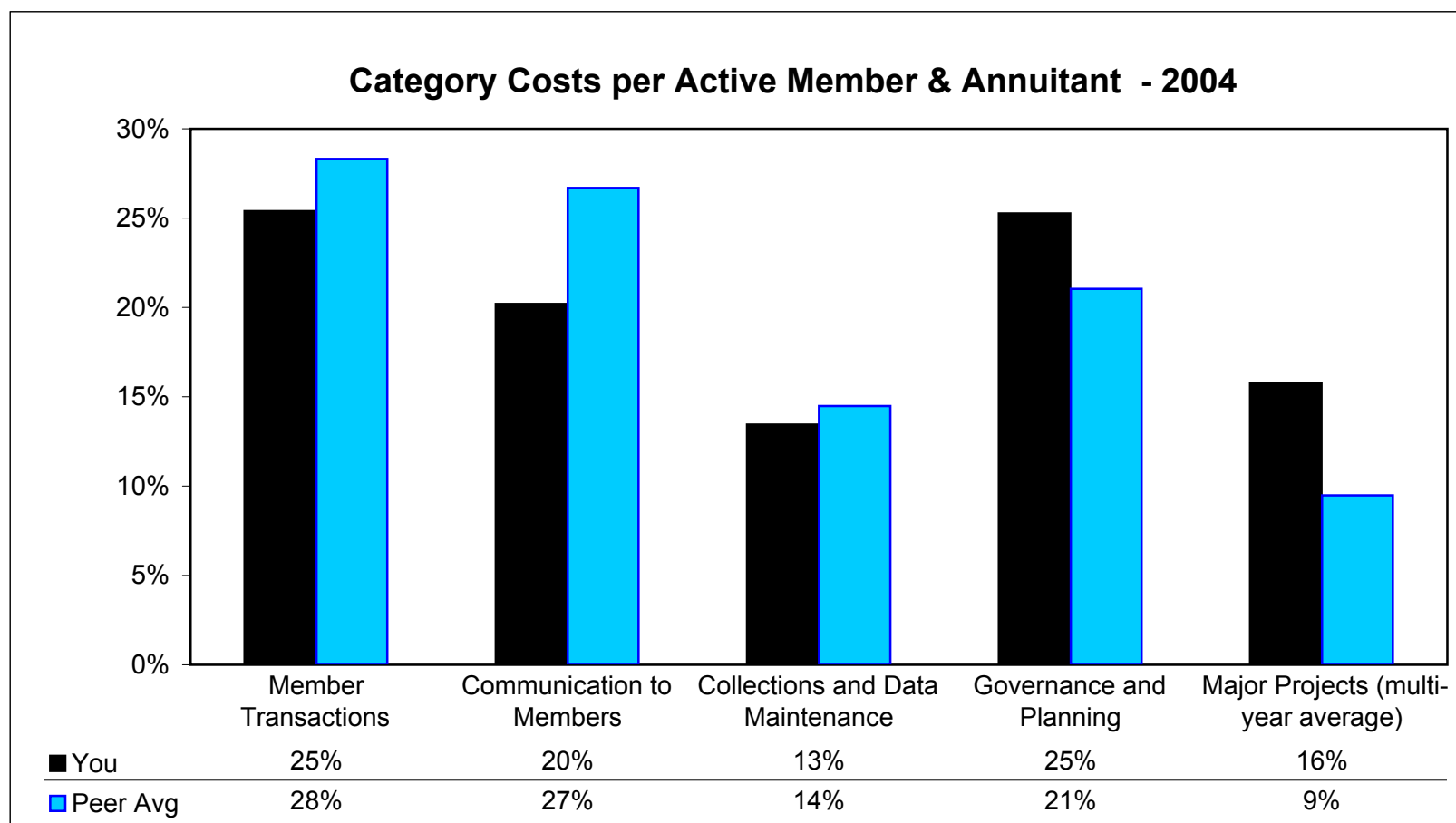
**This analysis is based on your Total Adjusted Administration cost of \$4.8M.**

<b>Total Adjusted Administration Cost for Indiana State TRF</b>		
<b>Activity</b>		<b>\$000s</b>
1 Paying Annuity Pensions		382
2 Annuity Pension Inceptions (non-disability)		530
3 Written Pension Estimates		19
4A 1-on-1 Member Counseling		224
4B Group Retirement Counseling		23
5 Member Contacts: Calls, Emails, Letters		271
6 Mass Communication to Members and Annuitants		432
7A-C Collections and Data Maintenance		628
7D Service to Employers		18
8 Refunds, Transfers-out, Terminating Payments		139
9 Purchases and Transfers-in		131
10 Disability		38
11A-D Financial Control and Governance		964
12A-C Plan Design and Rules Development		249
13 Major Projects and Non-recurring		538
Total Administration Cost per survey		4,587
Adjustments:		
<i>subtract</i>	13 Major Projects and Non-recurring	538
<i>add</i>	3-year average Major Project cost	756
<b>Total Adjusted Administration Cost</b>		<b>\$4,805</b>

**Your Total Adjusted Administration cost was \$43 per active member & annuitant. This is below the peer median of \$70 and the second lowest of your peers.**



**You spent the largest proportion of your budget on Member Transactions and Governance & Planning. Your peers' largest cost area was Member Transactions.**





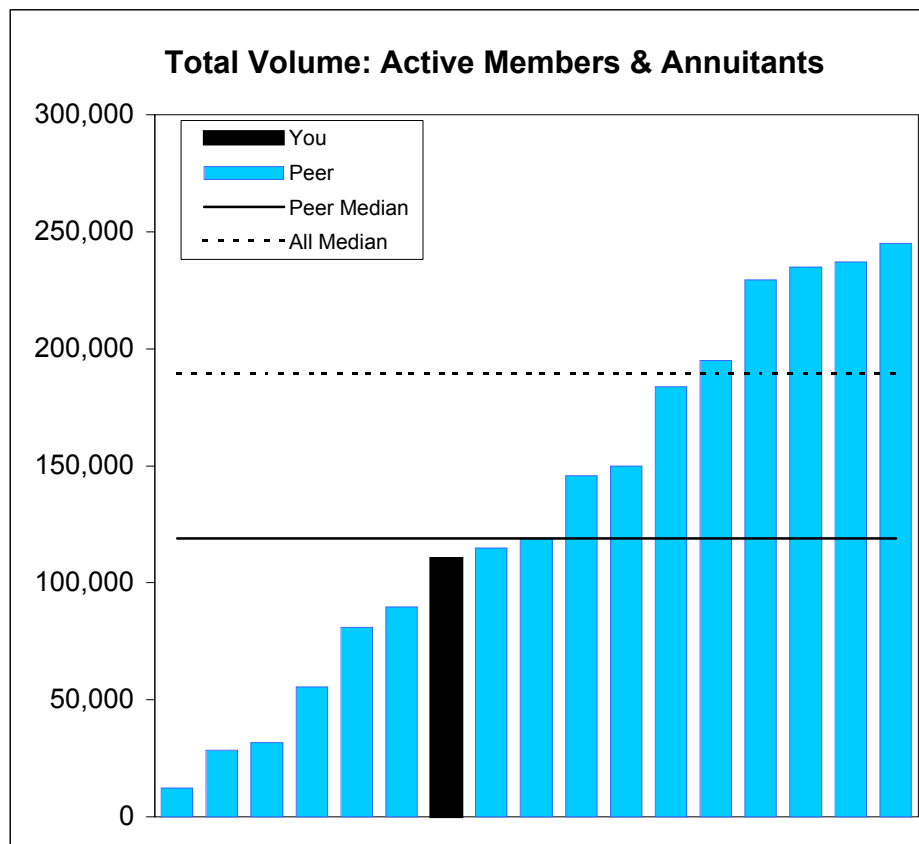
## Your cost of \$43 per active member & annuitant breaks down into the following summary categories and activities:

Activities and Summary Categories	% of Total Cost	
	You	Peer Avg
<u>Transactions With Members</u>		
1 Paying Annuity Pensions	\$3 8.0%	6.5%
2 Annuity Pension Inceptions (non-disability)	\$5 11.0%	8.5%
8 Refunds, Transfers-out, Terminating Payments	\$1 2.9%	4.0%
9 Purchases and Transfers-in	\$1 2.7%	3.3%
10 Disability	\$0 0.8%	6.1%
	\$11 25.4%	28.3%
<u>Communication To Members</u>		
3 Written Pension Estimates	\$0 0.4%	3.4%
4A 1-on-1 Member Counseling	\$2 4.7%	3.6%
4B Group Retirement Counseling	\$0 0.5%	1.0%
5 Member Contacts: Calls, Emails, Letters	\$2 5.6%	9.1%
6 Mass Communication to Members and Annuitants	\$4 9.0%	9.6%
	\$9 20.2%	26.7%
<u>Collections And Data Maintenance</u>		
7A Data and Money from Employers	\$2 3.6%	7.5%
7B Data Not from Employers	\$4 9.2%	2.9%
7C Billing and Inspection of Employers	\$0 0.3%	1.7%
7D Service to Employers	\$0 0.4%	2.4%
	\$6 13.4%	14.5%
<u>Governance And Plan Design</u>		
11A Board of Directors	\$4 8.6%	3.8%
11B Financial Administration and Control	\$5 10.9%	9.6%
11C Board Consulting/ Strategic Projects	\$0 0.5%	1.9%
11D Marketing, PR	\$0 0.0%	0.5%
12A Rules Interpretation	\$2 4.4%	2.8%
12B Design, New Rules	\$0 0.4%	1.5%
12C Lobbying, Influencing Change	\$0 0.3%	0.9%
	\$11 25.3%	21.1%
<u>Major Projects</u>		
3-Year Average Major Project cost	\$7 15.7%	9.5%
<b>Total Adjusted Administration Cost per active member &amp; annuitant</b>	<b>\$43 100.0%</b>	<b>100.0%</b>

## Comparison of Your Activity Costs

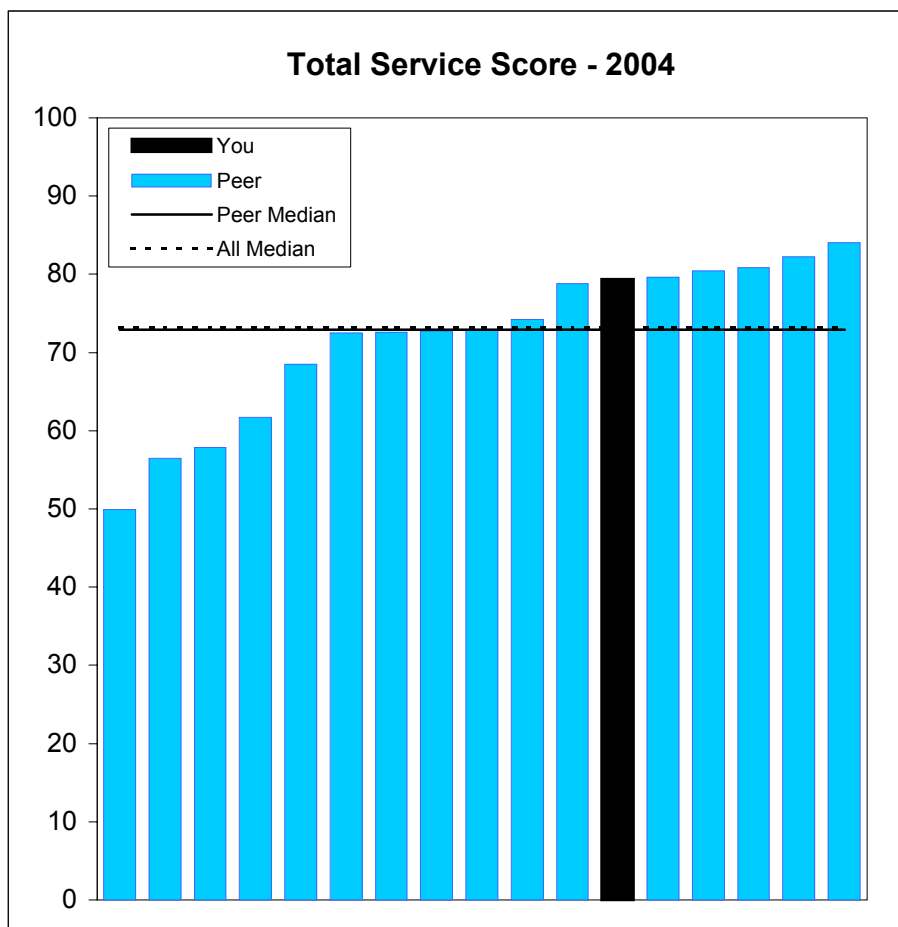
Activity	Cost \$000s	Activity Volumes		Cost per Unit		
		You	Units	You	Peer Median	All Median
1 Paying Pensions	382	36,000	annuitants	11	15	16
2 Pension Inceptions	530	2,385	new payee inceptions	222	217	290
3 Written Estimates	19	2,800	written estimates	7	51	73
4A 1-on-1 Counseling	224	2,200	members counseled 1-on-1	102	92	109
4B Group Counseling	23	0	members counseled in groups	n/a	79	73
5 Member Contacts	271	65,755	calls, emails and letters	4	6	9
6 Mass Communication	432	73,600	active members	6	9	10
7A Data from Employers	171	73,600	active members	2	7	9
7B Data Not from Employers	442	110,600	active members & annuitants	4	2	2
7C Billing and Inspection	15	344	reconciliation (or collection) points	43	277	247
7D Service to Employers	18	344	reconciliation (or collection) points	52	454	582
8 Refunds & Transfers-out	139	3,250	refunds and transfers-out	43	64	130
9 Purchases and Transfers-in	131	1,188	purchases & transfers-in	110	176	200
10 Disability	38	70	disability applications	538	1,814	1,653
11A Board of Directors	415	110,600	active members & annuitants	4	3	3
11B Financial Control	524	110,600	active members & annuitants	5	7	6
11C Board Consulting	25	110,600	active members & annuitants	0	1	1
11D Marketing, PR	0	110,600	active members & annuitants	0	0	0
12A Rules Interpretation	214	73,600	active members	3	3	3
12B Design, New Rules	21	73,600	active members	0	1	1
12C Influencing Change	15	73,600	active members	0	1	0
13 Major Projects (multi-year average)	756	110,600	active members & annuitants	7	7	8
<b>Total Adjusted Administration Cost</b>	<b>4,805</b>	<b>110,600</b>	<b>active members &amp; annuitants</b>	<b>\$43</b>	<b>\$70</b>	<b>\$93</b>

**Your Total Volume was 110,600 active members & annuitants. This compares to a peer median of 119,000.**



Total Volume matters most for systems with 50,000 or fewer active members & annuitants. These smaller systems have a scale disadvantage.

## Your Total Service Score was 79. This is above the peer median of 73.



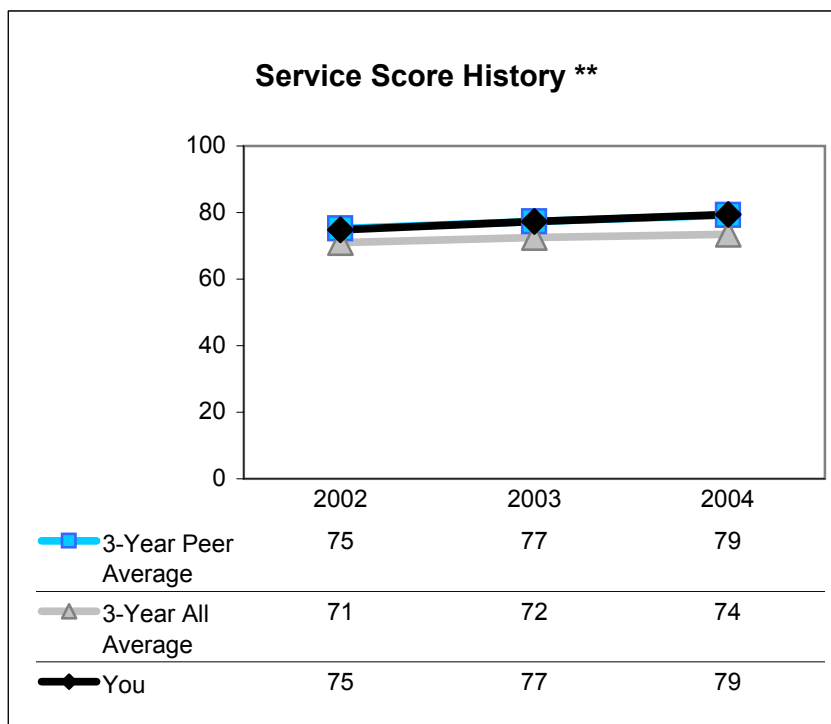
Your Total Service Score is the weighted average of your Service Scores for each Activity. Your Service Scores for each Activity and a discussion of ways to improve your score are shown on the following three pages.

Understanding why you rank where you do is more important than your Total Service Score because:

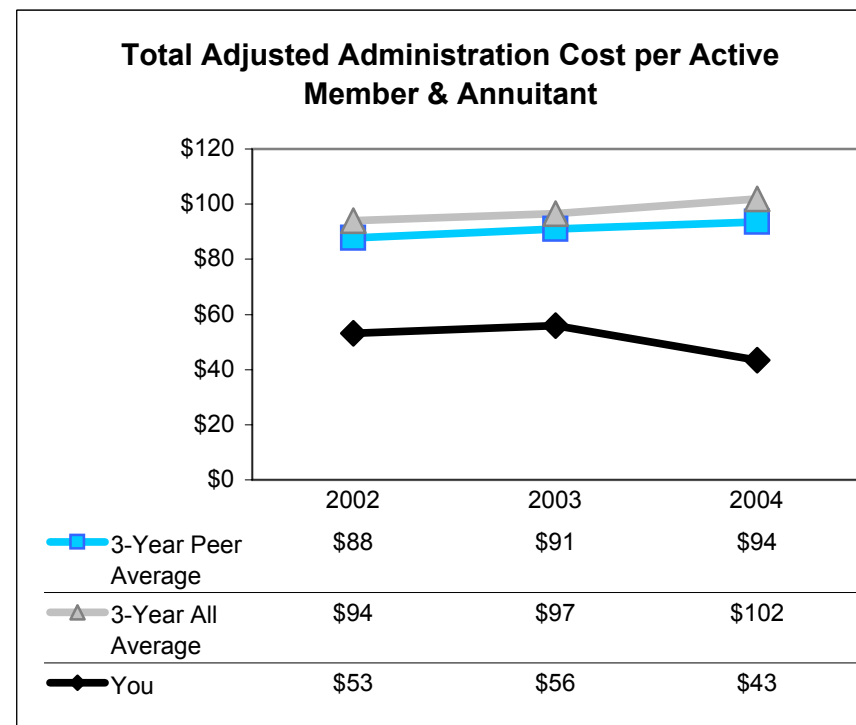
- Service is defined as: "Anything a member would like, before considering costs." High service may not always be cost effective or optimal. For example, having your Call Center open 24 hours a day is higher service, but may not be cost effective.
- The weights used to determine the service scores will not always match the relative importance your members attach to the criteria.

## Service and Cost Trends

- Service Scores have changed very little for the average 3-year participant\*.



- Costs have increased slightly for the average 3-year participant\*.



\* The 2004 Peer and All numbers in the graph above may not match others in this report because these graphs depict only those systems that have provided 3 consecutive years of data (8 of your 17 peers, 37 of the 54 participants). The graphs also show averages instead of medians.

\*\* The Service Score calculation methodology has improved over time based on participant feedback. The current 2004 Service Score methodology was applied retroactively to recalculate your 2003, and 2002 scores. If a service question was not asked in 2003, or 2002 we used your response from the year when the question was first asked as a default.

## Examples of key service measures included in your Service score.

Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• What percent of calls result in desired outcomes (reach knowledgeable person, needs satisfied by self-serve options) as opposed to undesired outcomes (such as busy signals, messages, hang-ups)?	80%	78%
• What was the average total wait time in seconds to reach a knowledgeable person, including time waiting on hold, time navigating auto-attendant, receptionist redirection time, etc?	14 sec	86 sec
• Can you provide members with an immediate real time estimate of their benefits at retirement over the telephone?	No	86%Yes
<u>Website</u>		
• Are all, some or none of your forms available online?	All	58%All
• Do members have access to their own data in a secure environment?	Yes	86%Yes
• Do you have an online calculator on your website?	Yes	86%Yes
<u>Member Statements</u>		
• On average, how current is an active member's data in the statements that the member receives (in months)?	6.0	2.9
• Do your statements for active members include:		
- Pensionable earnings?	Yes	100%Yes
- An estimate of the future pension entitlement (or in Australia, the lump sum benefit payout at retirement) based on age scenario modeling or assuming the member continues to work until earliest possible retirement?	Yes	71%Yes
<u>Pension Inceptions</u>		
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	100%	87%yes

## Your Service Scores by Activity compares to your peers as follows:

<b>Service Scores by Activity</b>			
<b>Weight</b>	<b>Activity</b>	<b>Your Score</b>	<b>Peer Avg</b>
18.9%	1 Paying Annuity Pensions	97	96
7.9%	2 Annuity Pension Inceptions (non-disability)	88	68
5.0%	3 Written Pension Estimates	60	65
11.3%	4A-B Counseling	70	77
21.5%	5 Member Contacts: Calls, Emails, Letters	83	59
21.8%	6 Mass Communication to Members and Annuitants	76	69
	a) Member Presentations (15%)	58	70
	b) Website (30%)	95	72
	c) Electronic Delivery (5%)	0	6
	d) Newsletters (15%)	90	84
	e) Member Statements (30%)	85	74
	f) Other Mass Communication (5%)	0	47
4.0%	7D Service to Employers	49	67
0.3%	8 Refunds, Transfers-out, Terminating Payments	75	71
3.3%	9 Purchases and Transfers-in	90	57
5.1%	10 Disability	57	63
1.0%	11A-D Financial Control and Governance	82	68
100.0%	<b>Total Service Score (Average)</b>	<b>79</b>	<b>72</b>
	<b>Total Service Score (Median)</b>		<b>73</b>

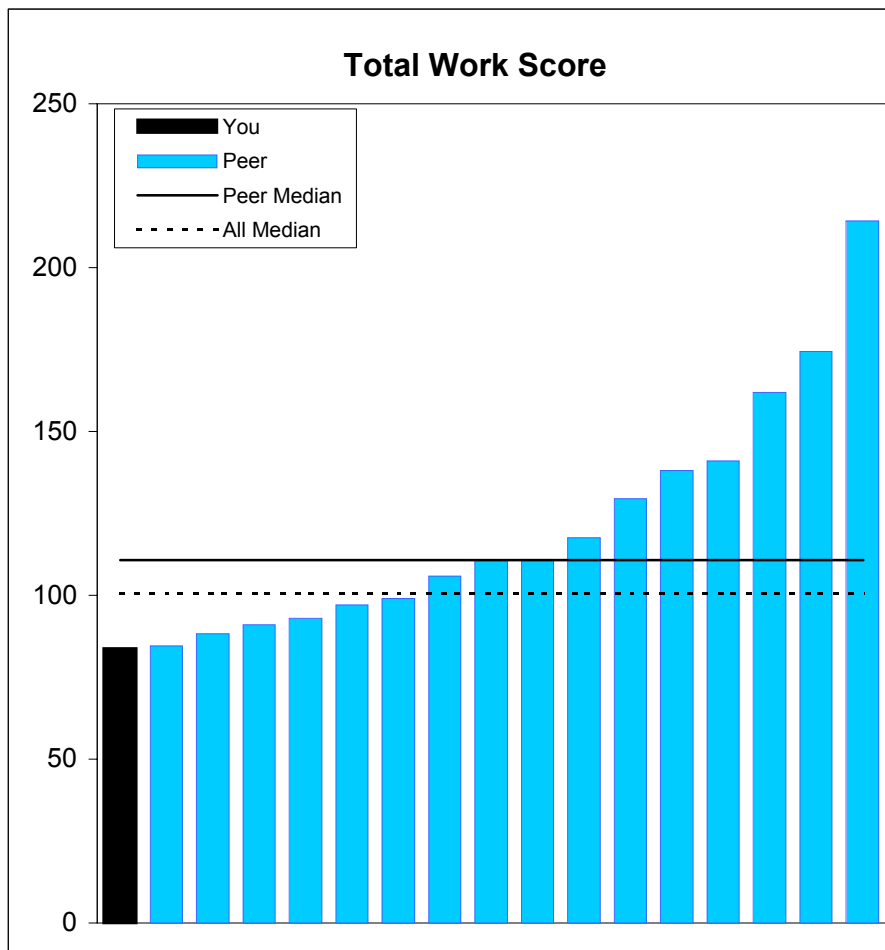
## Examples of 4 changes you could make that would improve your Total Service score by 7.2 points.

This excerpt shows a selection of things you could do to improve your Total Service score. CEM is not recommending these changes. Higher service is not necessarily optimal or cost effective. We include this analysis because many participants want to know what they would have to do to achieve a higher score. The Service section shows in detail what you would need to do to achieve a perfect score for each activity.

- **Call Outcomes** (+2.5 potential additional points) - A perfect score requires that all calls either get through to a knowledgeable person or are satisfied by a self serve option. 10.0% of your calls during business hours do not get through. Instead they result in either busy signals, hang-ups or messages. This was better than the peer average of 17.0%.
- **Satisfaction Surveying** (+2.4) - A perfect score requires that you do single-activity-focused satisfaction surveying for all key activities, survey only members who recently experienced the service, be able to summarize results by service representative and survey on a frequent random-sample basis. You do not survey pension inceptions, website, employers, refunds/ transfers-out, purchases/ transfers-in or disability. You do survey 1-on-1 counseling, member calls and presentations but some of the surveys were not single activity focused and some of the surveys were not sent only to members that experienced the service.
- **Disability Application Timeliness**(+1.2) - A perfect score requires that you return a decision on a disability applications within one month and that you have an expedited process for terminally ill applicants. It takes you 3.0 months, on average, to return a decision on disability applications. This was close to the peer average of 3.4 months. You do not have an expedited method for processing the applications of terminally ill patients.
- **Electronic Delivery** (+1.1) - To achieve a perfect score, you need to be able to send annual statements, newsletters, payment advices and annual reports (or summary annual reports) electronically on a recurring basis to members at their request. You cannot comply with a request to regularly send annual statements, newsletters, payment advices or annual reports.



## Your Total Work score was 84. This is below the peer median of 111.



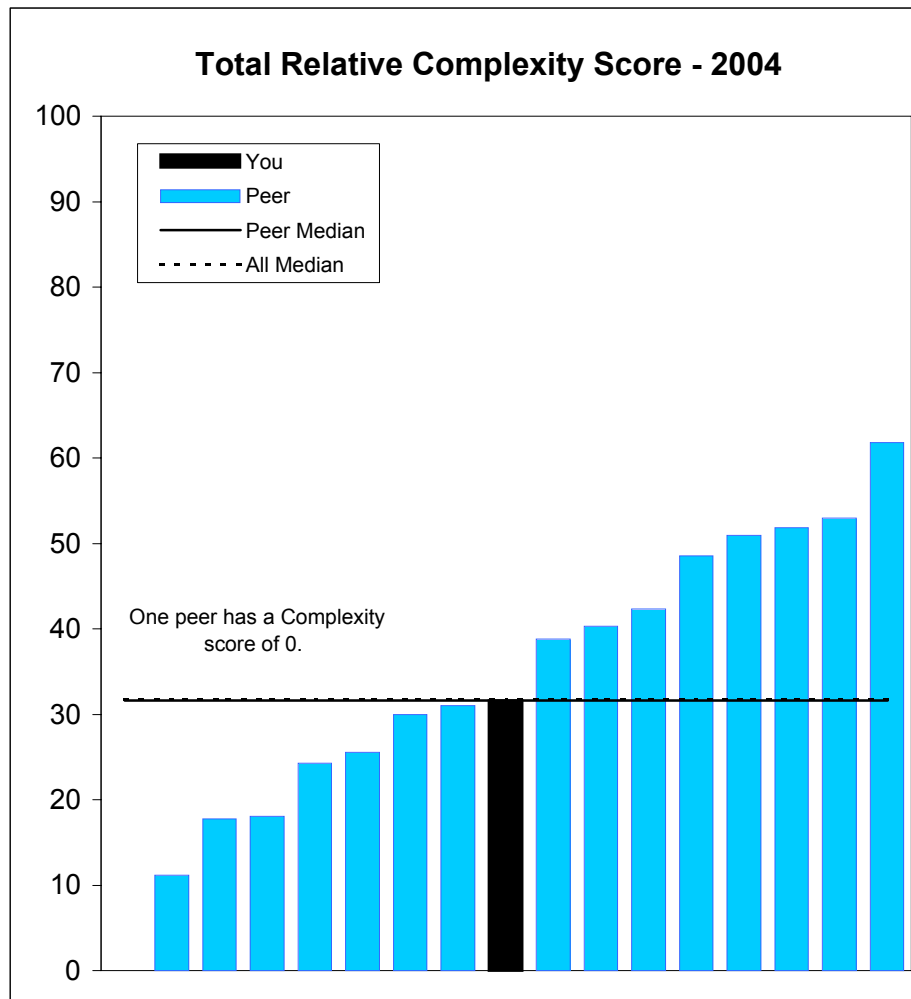
Total Work measures whether you are doing more or less work per active member & annuitant than your peers. Work equals your transaction volumes, such as the number of member calls or newsletters mailed, multiplied by our estimate of the average cost of all participants to perform each transaction.

Examples where you do less work than your peers include:

- Fewer calls, emails and letters - You had 595 calls, emails and letters for every 1000 active members & annuitants versus a peer average of 1,225.
- Fewer disability applications - You had 1 disability applications for every 1000 active members & annuitants versus a peer average of 3.

Fewer written estimates - You had 25 written estimates for every 1000 active members & annuitants versus a peer average of 58.

## Your relative Complexity was equal to the peer median.



Complexity is caused by two factors:

1. Multiple member groups with different rule sets.
2. Complex rules. For example, many systems need to keep track of multiple mortality tables that depend on the member's hire date.

The Complexity Scores are relative measures. Relative measures rank all participants from relatively least to relatively most complex on a scale of 0 to 100. A low Relative Complexity score does not mean that your system is not complex, rather it means that your system is relatively less complex than your peers. All retirement systems are extremely complex, so even the system that has a 0 Total Relative Complexity score is still extremely complex.

## Your Relative Complexity by underlying cause compares to your peers as follows:

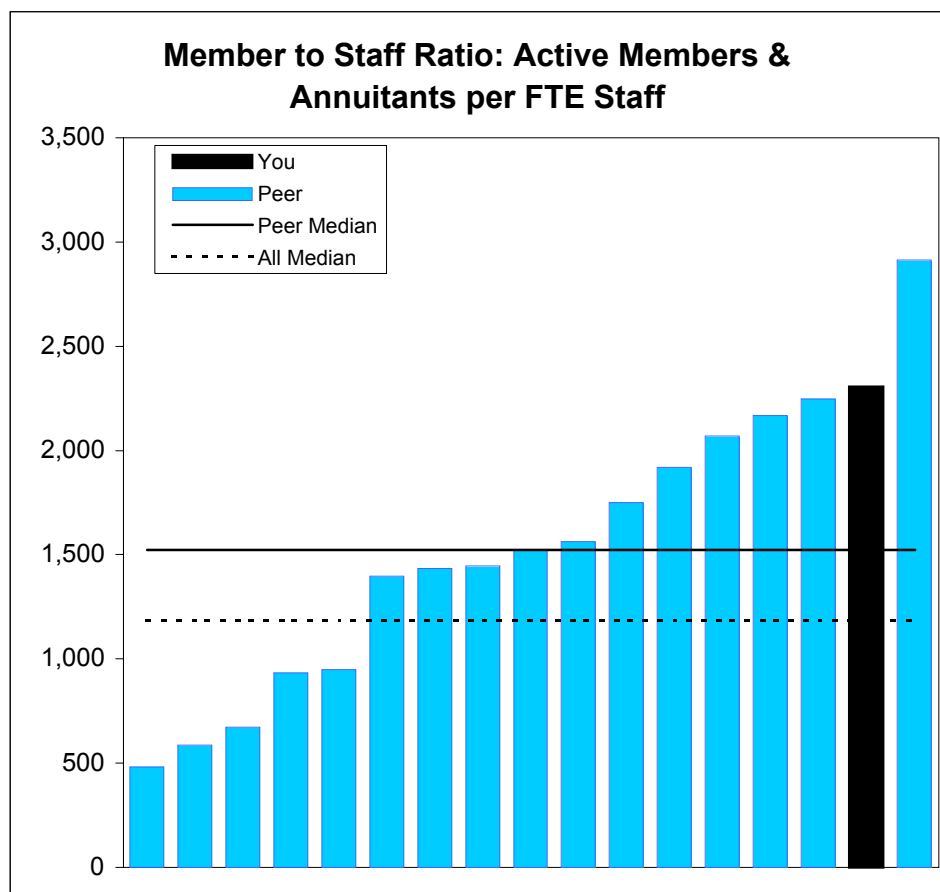
Relative Complexity Ratings by Cause			
Complexity: 0 least - 100 most			
Weight	Underlying Cause	Your	Peer Avg
15.0%	A. Pension Payment Options	79	50
20.0%	B. Customization Choices	2	8
10.0%	C. Multiple Plan Types and Overlays	54	21
16.0%	D. Multiple Benefit Formula	5	31
3.0%	E. External Reciprocity	65	28
4.0%	F. COLA rules	0	26
3.0%	G. Contribution Rates	12	36
4.0%	H. Variable Compensation	85	78
3.0%	I. Service Credit Rules	47	34
3.0%	J. Divorce Rules	0	59
5.5%	K. Purchase Rules	46	54
4.0%	L. Refund Rules	34	30
6.0%	M. Disability Rules	42	70
0.5%	N. Translation	0	9
3.0%	O. Defined Contribution Plan Rules	18	12
100.0%	Weighted Average (before scaling)	33	34
	Scaled Total Complexity	32	34

Many participants are curious about why they do not have a higher complexity rating.

The most complex participant is CalPERS. Their participating local employers can extensively customize their rule sets. For example, their employers can select their own benefit multipliers, final salary definition, retirement age, cost of living adjustment rules, disability benefit rules etc. Their complexity from Customization Choices is 100 versus your score of 2.

The second most complex participant has a long history of grandfathered changes to their benefit formula and fragmented rules related to different counties and cities. They have over 81 different multipliers and 8 different possible salary definitions that could apply in their benefit formula. Their complexity from Multiple Benefit Formula is 100 versus your score of 5.

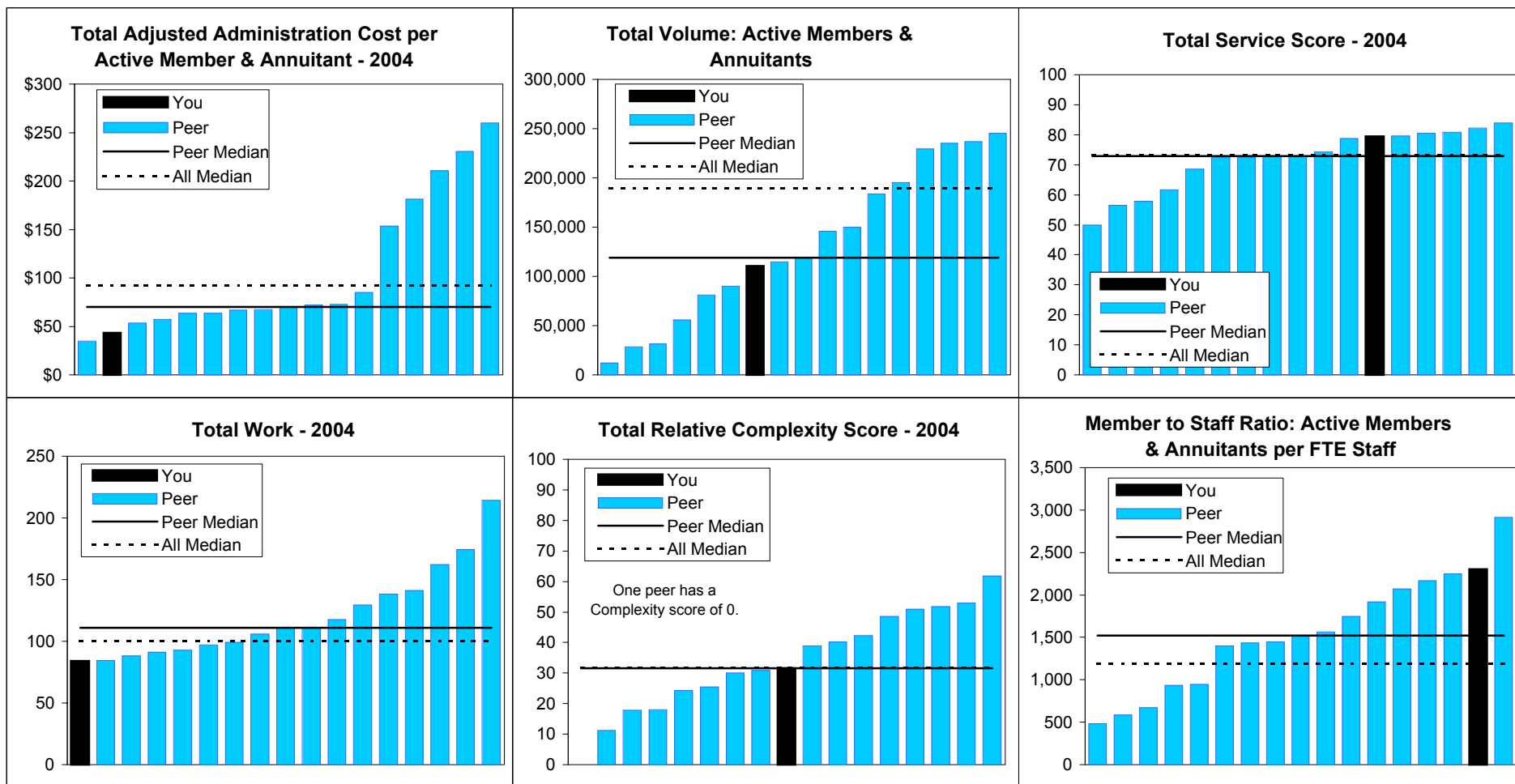
**Member to Staff Ratio: You administered 2,304 active members & annuitants per full-time equivalent (FTE) staff. This is above the peer median of 1,522.**



Participants that serve more active members & annuitants per full-time-equivalent (FTE) staff tend to be lower cost. We expect that the participants that service the highest number of active members & annuitants per FTE staff have either more automation, lower Service Levels, lower Complexity, more outsourcing or a combination of these things.

**In summary, you are in the enviable position of having the second lowest cost of your peers and above median Total Service.**

**Contributing to your low cost performance is your very low Total Work score.**



**FISCAL YEAR ACCOMPLISHMENTS AND GOALS**



## Fiscal Year 2006 Accomplishments and Goals

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- **Streamline initial check payment process.**  
Complete. Initial 85% check are deposited directly to member accounts.
- **Require employers to submit electronic reports.**  
Complete. Employers now submit reports via the website.
- **Increase productivity with Telephony Software.**  
Complete. Software tracks call history, captures relevant data, identifies subject matter, etc.
- **Revise Retirement Application.**  
Complete. Cumbersome language alleviated and instructions simplified.
- **Asset Allocation Initiative.**  
Ongoing. The Investment Division continues to identify ways to improve investment performance.
- **Revise Quarterly Statement.**  
*New.* Quarterly Statement will include benefit projections.
- **Systematically identify reemployed retirees.**  
*New.*
- **Asset Allocation Study.**  
*Revisited.* Update feasibility and implementation study for record keeping.
- **Initiate Annual Employer Workshops.**  
*New.* Workshop designed to educate school corporation employers.

## Fiscal Year 2005 Accomplishments and Goals

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- **Present Voluntary Pre-Tax Contribution Option for Active Members**  
Option implemented as of September 1, 2003.
- **Enhance communications and educate prospective retirees**  
Video-conferences conducted semi-annually, pre-retirement workshops held throughout the state from September through June, video streaming employed to summarize retirement options.
- **Advance Fund website options**  
Quarterly Statements and Direct Deposit Vouchers archived on website, "Search Engine" and "Knowledge Base" available for gathering information and answering questions, "Live Chat" offers communication via text messaging.
- **Expand Employer-Fund communications**  
Newsletters mailed quarterly, video conferences designated for employers only held annually.
- **Obtain Commendable Audit Ratings**  
Exception free audit reports awarded for fiscal years 2002 and 2003.
- **Streamline initial check payment process (ongoing)**  
Direct deposit applied for 85% checks.
- **Revise Retirement Application (ongoing)**  
Alleviate cumbersome language and simplify instructions.
- **Increase productivity with Telephony Software (ongoing)**  
Identify caller, past history and reason for call without searching through various systems and screens.
- **Asset Allocation Initiative (ongoing)**  
Designed to improve investment performance.
- **Require employers to submit electronic reports (ongoing)**  
Increase employer participation and use of web-based applications.



## **Fiscal Year 2004 Accomplishments and Goals**

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- **Implementation of Voluntary Pre-Tax Contribution Option for Active Members**  
Ongoing.
- **Improve communication with potential retirees**  
Ongoing. Began presenting pre-retirement workshops via video conferencing.
- **Continued Improvement of Fund's website**  
Ongoing.
- **Improve Employer-Fund communications**  
Ongoing. Generated employer quarterly newsletters and video conferencing sessions.
- **Discover additional methods for utilizing electronic processes to promote a paperless environment.**  
Ongoing. Added the capability to view monthly direct deposit on the web . Members may opt out of receiving vouchers via US mail. Members may also opt out of receiving paper copies of quarterly statements.
- **Introduce system of telephone counseling to decrease member travel time.**  
Complete.
- **Transition to SIRIS (State of Indiana Retirement Information System)**  
Completed in fiscal years 2002 and 2003.
- **Issue quarterly benefit entitlement statements to active members.**  
Complete.

## 2003 Accomplishments and Goals

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- **Continue Benchmarking process**  
Ongoing
- **Audit of Member Health Plan**  
Completed
- **New asset allocation study for employer funds**  
Completed
- **Diversification into public securities, including venture capital and real estate**  
Completed
- **Continue to provide quality service and enhance system operations**  
Ongoing
- **Develop member survey for services**  
Ongoing
- **Change Health Plan and Advisor**  
Changing Health Plan is in process. A Health Plan Advisor has been chosen.
- **Continue improvement of member education processes**  
Ongoing
- **Review work processes and change for efficiency and effectiveness**  
Ongoing
- **Enable electronic reporting with employers**  
Completed - Employers can deposit funds through EFT, and can use electronic messaging to provide wage and contribution reports.